



This is a digital copy of a book that was preserved for generations on library shelves before it was carefully scanned by Google as part of a project to make the world's books discoverable online.

It has survived long enough for the copyright to expire and the book to enter the public domain. A public domain book is one that was never subject to copyright or whose legal copyright term has expired. Whether a book is in the public domain may vary country to country. Public domain books are our gateways to the past, representing a wealth of history, culture and knowledge that's often difficult to discover.

Marks, notations and other marginalia present in the original volume will appear in this file - a reminder of this book's long journey from the publisher to a library and finally to you.

Usage guidelines

Google is proud to partner with libraries to digitize public domain materials and make them widely accessible. Public domain books belong to the public and we are merely their custodians. Nevertheless, this work is expensive, so in order to keep providing this resource, we have taken steps to prevent abuse by commercial parties, including placing technical restrictions on automated querying.

We also ask that you:

- + *Make non-commercial use of the files* We designed Google Book Search for use by individuals, and we request that you use these files for personal, non-commercial purposes.
- + *Refrain from automated querying* Do not send automated queries of any sort to Google's system: If you are conducting research on machine translation, optical character recognition or other areas where access to a large amount of text is helpful, please contact us. We encourage the use of public domain materials for these purposes and may be able to help.
- + *Maintain attribution* The Google "watermark" you see on each file is essential for informing people about this project and helping them find additional materials through Google Book Search. Please do not remove it.
- + *Keep it legal* Whatever your use, remember that you are responsible for ensuring that what you are doing is legal. Do not assume that just because we believe a book is in the public domain for users in the United States, that the work is also in the public domain for users in other countries. Whether a book is still in copyright varies from country to country, and we can't offer guidance on whether any specific use of any specific book is allowed. Please do not assume that a book's appearance in Google Book Search means it can be used in any manner anywhere in the world. Copyright infringement liability can be quite severe.

About Google Book Search

Google's mission is to organize the world's information and to make it universally accessible and useful. Google Book Search helps readers discover the world's books while helping authors and publishers reach new audiences. You can search through the full text of this book on the web at <http://books.google.com/>

A 489949 DUPL



HX

27

S2

E5

18

THE
JINTESSENCE OF SOCIALISM

347513
BY
DR. A. SCHÄFFLE

ENGLISH EDITION

TRANSLATED FROM THE EIGHTH GERMAN EDITION

UNDER THE SUPERVISION OF

BERNARD BOSANQUET, M.A.

FORMERLY FELLOW OF UNIVERSITY COLLEGE, OXFORD

SECOND



EDITION

LONDON
SWAN SONNENSCHN & CO.
PATERNOSTER SQUARE

1890

Printed by Hazell, Watson, & Viney, Ltd., London and Aylesbury.

PREFACE TO THE ENGLISH EDITION.

DR. SCHÄFFLE'S "Quintessenz des Socialismus" is referred to by M. de Laveleye ("Socialism of To-day," Eng. tr., p. 260) as the only publication, of which he is aware, that explains the scheme of collectivism and treats it in a scientific way.

Dr. Albert Schäffle, former minister of finance in Austria, and author of "Bau und Leben des Socialen Körpers," and other important works, is one of the most eminent of German economists. His "Quintessence," though popular in form, is the work of a thorough expert, and is even now, to the best of my knowledge, the clearest account of Socialism that can be obtained in anything like the same

Recl. 5-29-28 M.V.P.

compass. The author's criticisms are distinctly separated from his description, so that his private views can be allowed for by the reader. The pamphlet is now presented to the English public in the spirit in which the opening pages declare it to have been written,—“Truth before all things!”

BERNARD BOSANQUET.

PREFACE TO THE FIRST GERMAN EDITION.

THE following pages first appeared in 1874 in *Deutsche Blätter*, and were written at the express wish of the Editors of that magazine for the purpose of laying before a mixed public (consisting largely of theologians) a scientific and yet popular picture of the economic consequences of the newest form of Socialism. The work attracted some attention when it appeared in *Deutsche Blätter*, and it is by the wish of the Publishers that it is offered in its present form to a wider circle of readers. In this form it contains but few alterations, which have been made for the sake of greater clearness, the chief of which is a more careful arrangement of the matter. Its actual contents needed no modification.

PREFACE TO THE EIGHTH GERMAN EDITION.

THIS Edition again contains no material alteration in the eight main divisions of the work. But the conclusion (ch. ix.) contains a few fresh explanations, which have been rendered necessary by the advance which has been made since the appearance of the last edition towards a policy of positive Socialism, and by my own scientific participation in the movements connected with it.

A. SCHAFFLE.

CONTENTS.

CHAP.		PAGE
I.	FIRST OUTLINES OF THE FUNDAMENTAL IDEA OF SOCIALISM	I
II.	THE MEANS OF AGITATION. <div style="margin-left: 20px;"> The Socialistic criticism of capital.—Profit as “ap- propriation of surplus-value.”—Property as theft.— False interpretations of these allegations refuted.— Ultimate buying-out of the modern plutocrats . . . </div>	20
III.	PROPOSED TRANSFORMATION OF THE SEVERAL FUNDAMENTAL INSTITUTIONS OF MODERN NATIONAL ECONOMY. <div style="margin-left: 20px;"> Determination of demand.—Freedom of demand.— Organization of labour and capital into a system of collective production.—False interpretations refuted. —The doctrine of value as depending on sheer labour- cost useless for a practical organization of labour and capital </div>	39
IV.	TRANSFORMATION OF INSTITUTIONS (<i>continued</i>). <div style="margin-left: 20px;"> Abolition of all loan-capital, of credit, of lease, of hire, and of the exchange </div>	64

CHAP.	PAGE
V. TRANSFORMATION OF INSTITUTIONS (<i>continued</i>).	
Abolition of trade in "commodities," and of the market for them, and of the system of advertisement and display of wares	69
VI. TRANSFORMATION OF INSTITUTIONS (<i>continued</i>).	
Abolition of metallic money as the medium of exchange, and its replacement as "standard of value" by units of "social labour-time" ("labour-money"). The value-estimate of the Socialistic State compared with the present market-price	77
VII. TRANSFORMATION OF INSTITUTIONS (<i>continued</i>).	
The Socialistic determination of value in exchange, and freedom of labour in the Socialistic State . . .	90
VIII. TRANSFORMATION OF INSTITUTIONS (<i>continued</i>).	
Income, and the use of income in the formation of property, and in consumption.—Private property and the law affecting it.—Family life and marriage.—Savings-banks and insurance system.—Expenditure on charitable, humanitarian, religious, and other ideal purposes	97
IX. CONCLUSION.	
Summary of criticisms	120



SOCIALISM.

I.

SINCE the last elections to the German Diet, the "red spectre" of Socialism has found its way into every ale-house. But it is remarkable that not only in the world of the pot-house orators, but far up in the ranks of the "propertied and cultured classes," and to a great extent among the supporters of socialism themselves, the kernel and aim of the socialistic propaganda is still almost unknown. We have daily evidence that an absurd amount of false representations, of exaggerated fears, and of no less immoderate hopes, grows rankly in this field of enquiry. Not only those who oppose and scorn the new gospel, but also even many of those who are

believers in it, have themselves no true idea, often not even the most distant conception, of what it really is that they fear or detest, that they despise or extol to the clouds.

In view of the confused state of public opinion on this subject, the first thing we need is, obviously, a precise knowledge of the essence and aim of the socialistic reconstruction of society, and especially the exposure of these misleadingly false representations, and the dispersion of this self-deceptive ignorance. It is the object of the following "Quintessence of Socialism" to increase the sum of accurate knowledge in this field. We hope that many readers of "Deutsche Blätter" will be obliged to us for a clearly defined picture of this subject, even though the substance of our account may cause them a certain amount of unpleasant surprise. At any rate, we believe ourselves qualified to afford enlightenment on the matter, as a result of comprehensive and thoroughly unprejudiced studies. If we are mistaken in our judgment, at any rate we do not wittingly deceive ourselves. Truth before all things!

Let us go at once to the heart of the move-

ment. We will first concentrate our attention on the economic kernel of socialism, setting aside for the moment the transitory aspect it bears in the hands of agitators, its provisional passwords, and the phenomena and tendencies in politics and religion by which it is accompanied.

The question is undoubtedly one of economics; it is primarily, at any rate, a question of the stomach; it is the result of a fundamental revolution in the organisation of the social circulation of products, an economic phenomenon which grew out of the destruction of the system of small producers and small traders. And, in consequence, the socialistic movement, as is admitted on all sides, is primarily directed towards a fundamental transformation of the existing industrial system.

The economic quintessence of the socialistic programme, the real aim of the international movement, is as follows.

To replace the system of private capital (*i.e.* the speculative method of production, regulated on behalf of society only by the free competition of private enterprises) by a system of collective capital, that is, by a method of

production which would introduce a unified (social or "collective") organization of national labour, on the basis of *collective* or common *ownership* of the *means of production* by all the members of the society. This collective method of production would remove the present competitive system, by placing under official administration such departments of production as can be managed collectively (socially or co-operatively), as well as the distribution among all of the common produce of all, according to the amount and social utility of the productive labour of each.

This represents in the shortest possible formula the aim of the socialism of to-day, however variously expressed, and in some cases obscurely conceived, may be the proposed methods for attaining it.


Instead of the present state of things, in which everyone who possesses capital freely (*privatim*) undertakes a part of the entire national production for his own private interest, and is socially influenced only by what we may call the hydrostatic counter-pressure of all the other competitors for profit, we should have in the socialistic state the instruments of all the

production and distribution of wealth (that is, *capital*, the totality of instruments of production) in the completest sense the common property of the whole community, whose collective organization would on the one hand associate all the individual and separate labour-forces in social labour-groups ("collective labour"), and on the other would distribute the wealth produced by this social co-operation according to the proportion of work performed by each individual. Private business, individual enterprise, would be no more. The productive labour of all would be associated in establishments for the purposes of production and exchange, socially managed, equipped out of collective capital, and worked by persons in receipt of salaries, not of private profits and of wages. The amount of supply necessary in each form of production would be fixed by continuous official returns, furnished by the managers and overseers of the selling and producing departments, and would form the basis of the budget of social production. The temporary deficit or overplus of the actual produce, as compared with the estimated requirement of each period, would be from time to time

re-adjusted by means of reserve stores, which would then be public, and not private, warehouses. This is undoubtedly the general outline of the meaning of collectivism, as contradistinguished from capitalism, the quintessence of the public organization of labour in contrast to what is called the competitive anarchy of to-day; under which (according to the socialists) the great work of social interchange of products, the machinery of social production and distribution, represents no consciously systematised social function, but is abandoned to the play of "anarchical" competition, and the race of private greed after the biggest share of the spoil.

The leaders of the international movement, especially Karl Marx, in his bitingly critical and undeniably clear-sighted work "*Das Kapital*,"* are, it is true, very cautious in enunciating their positive programme: but every intelligent reader and logical thinker will recognize in the above statement the fundamental idea and aim of socialism. This much, at any rate, is clear

* Up to the present time (1885), only one volume has appeared [Vol. II. appeared in 1885].



from the sweeping criticism passed by socialists on the existing private capitalistic system of industrial society. It is evident also from the theories of socialistic science on labour as the fundamental factor in value; on the future regulation of private income by the labour-time bestowed in social production; on the abolition of the present use of money; and so forth. And finally, this fundamental view can be extracted from the positive programmes for the socialistic reconstruction of industrial society, so far as any such have been developed or indicated by thoughtful leaders of the movement. Critically, dogmatically, and practically, the cardinal thesis stands out—collective instead of private ownership of all instruments of production (land, factories, machines, tools, etc.); “organization of labour by society,” instead of the distracting competition of private capitalists; that is to say, corporate organization and management of the process of production in the place of private businesses; public organization of the labour of all on the basis of collective ownership of all the working materials of social labour; and finally, distribution of the collective output of all kinds of manufacture in proportion to the

value and amount of the work done by each worker. The producers would still be, individually, no more than workmen, as there would no longer be any private property in the instruments of production, and all would in fact be working with the instruments of production belonging to all, *i.e.*, *collective* capital. But they would not be working as private manufacturers and their workmen, but would all be on an equal footing as professional workers, directly organized, and paid their salary, by society as a whole. Consequently, there would no longer exist in future the present fundamental division of private income into *profits* (or in some cases the creditor's share, by way of interest, in the profit of the debtor) and *wages*, but all incomes would equally represent a share in the national produce, allotted directly by the community in proportion to work done, that is, exclusively returns to labour. Those who yielded services of general utility as judges, administrative officials, teachers, artists, scientific investigators, instead of producing material commodities, *i.e.*, all not immediately productive workers, all not employed in the social circulation of material, would receive a share in the com-

modities produced by the national labour, proportioned to the time spent by them in work useful to the community.

The reader who has never closely examined this revolutionary plan of social organisation will find it almost inconceivable. It has taken the writer years to familiarize himself with the idea.

And yet this scheme is already supported by a party which surpasses many other great parties in fiery zeal, in inspiration, in the "faith which removes mountains," in strength of organization, and in international expansion, a party which is ever gaining proselytes, and which faces the future in confident expectation of victory. It is therefore worth while for everyone to gain at least such an insight into the principles antagonistic to the existing social system as will enable him to understand his opponents. It will thus be necessary to give some further explanations of the fundamental idea of socialism given above. Before we can enter on an effective contest with an important adversary, we must be sure that we know accurately, without prejudice, and without adulteration, what he wants and as a consequence of his

principles cannot help wanting. And to do this we must ignore the subjective follies of hot-headed partisans, in so far as they are merely accidents that do not necessarily issue from the premiss, and must confine ourselves to what necessarily springs out of the main principle, and moreover to the most thoughtful and reasonable formulation of the new principle. And this is just now the more possible as there is no immediate likelihood of the realisation of the "new faith" of the working-men.

In this purely objective sense, and avoiding all unessential side-issues, we address ourselves to the subject.

In the attempt to give a thoroughly graphic representation of the positive system which is the aim of socialism, we are met of course at once by serious difficulties.

There are a number of catch-words, which are of only transitory significance, the outcome of emergencies of agitation, and emanating only from subordinates among the party-leaders; these do not furnish us with an authoritative exposition of doctrine. The old fantastic schemes of C. Fourier and others, though supported by reasoning which contains all the

main ideas of present-day socialism, no longer form part of its programme. The collectivism agitated for to-day is no longer the fantastic thing aimed at by the Fourierists and St. Simonists; it has undoubtedly grown much more sober, but is not yet, even among its influential partisans, quite clearly defined. It has even in many cases come to terms with the modern individualistic liberal system.) Lassalle himself did this in all his positive proposals; and therefore Karl Marx rejected Lassalle's proposals; for instance, his association for production aided by State credit.*

As to their positive goal, the system which would result from the principle of a collective capital instead of the present competition of many capitals, the most clear-sighted leaders of the movement, and especially Karl Marx, speak with extreme caution and great political sagacity. They do this advisedly. Probably not one of them doubts that the agitation for

* Evidently because this association or group, if it undertook to carry on the business of social production in competition with many other isolated businesses, would remain absolutely at the same standpoint as the present system of production.

a collectivist reconstruction of society is still far from its goal, that it is only in its earliest stages, in which the principal requirement is negative criticism of the existing state of things, and the rousing of the masses by means of certain rallying words. They know very well that the present system of production must first have produced its final practical consequence in the complete absorption of small property, that it must have nearly completed the plutocratic process of dividing the nation into an enormous proletariat on the one side and a few millionaires on the other, before the masses, and especially the country population and the small tradesmen, can and will accept the principle of collectivism. In Germany, and especially in the country districts, this development is far from being complete. Although in the towns (*e.g.* Paris and Cartagena), the proletariat is already handling firearms, the leaders know well that these are only the first outpost skirmishes of the later class-war, from which they expect the complete transformation of the present system of private into that of collective capital. And when that time comes, the conditions then

prevailing would decide on many of the details of the positive programme. The reserve they show in announcing their positive programme is therefore not surprising ; all skilful party leaders have acted thus in similar stages of agitation.

The *résumé* which Karl Marx gives at the end of his critique on Capital* is in every respect the most definite and significant statement we have.

He shows how the large-capital system of to-day arose out of the destruction of those forms of small ownership (among the craftsmen and peasantry) in which labour and private property were really united, the actual workman being also owner of his tools and of the produce of his work. This essentially true form of private ownership, in which the worker was the free possessor of the working materials he handled, the peasant of the land he cultivated, the artisan of the tools with which he was a skilled performer,—this kind of ownership of the means of production, though useful in its time, because so essentially true, had, how-

* "Das Kapital," vol. i., p. 788, ff. [E. Tr. p. 786 ff].

ever, one great drawback, namely, the minute subdivision of the means of production, which made it a pigmy system and extremely unproductive. In consequence of this defect, this kind of small ownership was bound to disappear, and the small remnants of it which exist are rapidly disappearing; it was bound to yield to the superior power of large agricultural and industrial capitals. "Self-earned private property, that is based, so to say, on the fusing together of the isolated, independent labouring-individual with the conditions of his labour, is supplanted by capitalistic private property, which rests on the exploitation of the nominally free labour of others, *i.e.*, on wages-labour."

He goes on to show how, as soon as this transformation, which brings about the destruction of small industries and of the peasant-class, has sufficiently decomposed the old society from top to bottom, as soon as the once independent workman has become a proletarian, *i.e.* a worker without means of production of his own, these being all swallowed up in the large capitals of modern times—the crusade of capital goes further; and we have in the next stage of development the large capitalist

attacking the smaller. With the ever-increasing concentration of the means of production in large businesses, "one capitalist always kills many. Hand in hand with this centralisation, or this expropriation of many capitalists by few, develop, on an ever-extending scale, the co-operative form of the labour-process, the conscious technical application of science, the methodical cultivation of the soil, the transformation of the instruments of labour into instruments of labour only usable in common, and the economising of all means of production by their use as the means of production of combined socialised labour."

Further, he shows how with the constantly diminishing number of the magnates of capital who usurp and monopolize all the advantages of this transformation process, we have "a growing mass of misery, oppression, slavery, degradation, exploitation; but with this too grows the revolt of the working class, a class always increasing in numbers, and disciplined, united, organised, by the very mechanism of the process of capitalist production itself. The monopoly of capital becomes a fetter upon the mode of production, which has sprung up and

flourished along with, and under it." And then "the knell of capitalist property sounds.

"The expropriators are expropriated. The capitalist mode of appropriation, the result of the capitalist mode of production, produces capitalist private property. This is the first negation of individual private property, as founded on the labour of the proprietor. But capitalist production begets, with the inexorability of a law of Nature, its own negation. It is the negation of negation. This does not re-establish private property for the producer, but gives him individual property based on the acquisitions of the capitalist era; *i.e.*, on the co-operation (of free-workers) and the possession in common of the land and of the means of production.

"The transformation of scattered private property, arising from individual labour, into capitalist private property, is, naturally, a process incomparably more protracted, violent, and difficult, than the transformation of capitalist private property, already practically resting on socialised production, into socialised property. In the former cases we had the expropriation of the mass of the people by a few usurpers ;

in the latter, we have the expropriation of a few usurpers by the mass of the people."

Could it be more clearly stated? These significant passages tell us as clearly as whole volumes could do the critical as well as the express positive message of socialism.


They show first how clearly the new movement recognizes its general aim, its dependence upon the present plutocratic development of society, the inevitable growth of its resources, and the purely preparatory character of the present stage of its agitation. The leaders of the proletariat reckon, more than on any agitation, on the fact that the mechanical system of large industries, and the whole centralising tendency of the time, are themselves disciplining the proletariat and concentrating its political and social force. Although they do not approve the political concentration of labour by the mechanism of universal enforced military service, yet in the long run they find in it no obstacle: the leaders can afford to regard it as a training-school which in the long run is an evil but dangerous to socialism, which drills its future soldiers, and must end by awakening discontent on financial grounds. Everything which trains the masses

as a whole, which centralizes, which brings about a public union of individual forces on the largest possible scale, is very closely allied to socialism. The passage quoted shows how very clearly and calmly it counts upon the education afforded by the modern capitalistic and political system. Let not the opposite side then reckon on the bayonet, or on that political centralisation which socialism itself will eventually be bound to use as the most appropriate and effective means of its first introduction.

However, in quoting the above passage, we only wished to come at once to the quintessence of socialism.

From the last quotation we now see clearly *why* socialism is in no hurry to pass from the critical stage to that of its positive programme—it says and knows that the preliminary process is long, severe, and difficult. But in the second place we also see quite plainly what its ultimate goal is. It is explained in this authoritative and decisive passage from the masterwork of socialism, that its aim and endeavour will be to transform the existing system of private capital, which is already bound up with co-operative social labour, into the common pro-

perty of the co-operating labourers, into "the property of the whole community," into collective capital. But out of this one main positive idea we can with more certainty gauge the whole positive construction of the socialistic state of the future than a naturalist can deduce from the skull of an extinct form of animal the whole structure of the lost species. In carrying out this construction we shall be further assisted by other socialistic theories (for instance, that of value), and by the larger though chiefly hypothetical admixture of positive ideas in the criticism of capital. The picture drawn in the following pages of the positive contents of socialism, although not given in precisely the same outlines as socialists give it, is yet the strictest logical outcome of their critical and positive principles, and the result of a careful comparison of all the socialistic literature within my reach.



II.

BEFORE we follow out the detailed consequences of the collectivist principle, let us repeat once again that *the Alpha and Omega of socialism is the transformation of private and competing capitals into a united collective capital.* It will be well first to explain a little more clearly the import of this primary condition out of which all the rest naturally develops itself.

Let us first enquire how this transformation is conceived of.

As regards the time at which it will be effected, the leaders of the movement can obviously entertain no very sanguine hopes. The many thoughtful and clear-sighted leaders of the proletariat can scarcely believe that the definite triumph of their cause lies in the near future, or even in the present century. Their immediate efforts and expectations must be




directed exclusively towards the acquisition of political power, towards further "training" of the masses in concerted action, towards extended denunciation of the present property-system, with all its swindling and other abuses, and towards the final pauperistic consummation of the contrast between the few millionaires and the many millions of proletarians.

The immediate aim of the agitators consists in party-organization, in spreading the desire for material improvement among the masses, in the exposure of the fraudulent system of speculation, and the scandals that attend panics; in discrediting all traditional authority (in the struggle between Church and State socialism is openly and visibly a genuine *tertius gaudens*!); in pressing into the service of the social propaganda all centralising tendencies in the State, in trade and intercourse, and in journalism.

The spread of productive co-operation would not be, it is true, in principle a socialistic organization; for associations of this type would still be only competitive businesses, the latest development of the capitalistic principle. But this would not be prejudicial to socialism; for

such associations are organically more akin to collectivism, and therefore at a later stage will lend themselves to the introduction of socialism better than private businesses will do. Similarly, profit-sharing is not in itself a socialistic arrangement, but it is a move in the direction of collective ownership. All this brings grist to the socialist mill, but it does not represent the ultimate goal of the movement. This we state emphatically, because it explains why at present the political enfranchisement of the masses, agitation, spread of the materialistic conception of life, criticism of the swindling system of speculation, and even the compromise which accepts State encouragement of productive co-operation, and of other similar movements, form at the present stage the actual work of the movement, and this wisely, and without incurring detriment by any sacrifice of principle.

One further preliminary remark must be made on the unanimous critical polemic against capital, or the private system of production, which is peculiar to socialism: without explanation on this head the language of socialists would be unintelligible. For the criticism of capital is the main instrument of intellectual



preparation employed by the movement in its present stage.

Now here we find that among the socialists the present system of private property in capital is represented as "Robbery."


But it is a great though very widely spread misunderstanding to interpret Proudhon's words "*Property is Robbery*," to mean that the socialist regards all propertied persons as thieves in the criminal sense of the word, and ranks the most honourable trader side by side with the persons who appropriate other people's belongings by the aid of dark lanterns and false keys.

Nothing can be more mistaken than this interpretation of the words, which make many persons regard communism as condemned on the very face of it. The real meaning of the assertion that capital, *i.e.* the private capital of to-day, is robbery, or, as Lassalle says, "*Fremdthum*,"* namely, that it represents an anarchical form of property, and must be super-

* [Property is *Eigen*-thum, *eigen* meaning "one's own." Lassalle calls it "*Fremd*-thum," replacing the word "own" by the word "alien." Not *meum* but *tuum*, or rather *alienum*].

seded by the true form based on labour, is, as every thinker clearly sees, a very different thing!

We find the essence of the socialistic criticism of property most clearly brought out by Karl Marx, the most authoritative leader and thinker of the proletariat. He begins by showing that the mass of private capital inherited from early times rests originally on conquest, the dispossession of former owners, confiscation of peasant farms, plundering of colonies, abuse of political power, protective duties, division of secularized ecclesiastical property, and so on ; but he does not charge Peter or Paul, the actual inheritor of the property to-day, with robbery. Nor is he much concerned to pronounce judgment on those ancient forms of "the original accumulation of capital;" and he also deals very cursorily with that latest form of capital plunder, which is amassed by stock-exchange corruption, parliamentary jobbery, and newspaper bribery. He rather examines the process of the formation of capital, which is the only form possible under the present recognized economic system, and is therefore under present circumstances normal, perfectly legal, and wholly unavoidable.



Now Marx maintains that the mass of invested capital which is forming and increasing in the present day arises out of the returns on capital, and is saved out of employers' profits, and not out of wages. This is no doubt true. He further recognises fully that every capitalist who wishes to hold his own in the "anarchical" social system of competition of which he forms a part, must take his share of the accretions to capital from profits ; otherwise he would himself come to grief, and lose his position. He says plainly : " My standpoint, from which the evolution of the economic formation of society is viewed as a process of natural history, can less than any other make the individual responsible for relations whose creature he socially remains, however much he may subjectively raise himself above them." * —

Marx is therefore far from regarding acquisition of capital as robbery in the *subjective* sense, or demanding from any capitalist who has to work on the basis of the existing system that he should cease to struggle for the highest profits, and the utmost possible accumulation of

* " Das Kapital," Vorrede, p. ix. [E. Tr. p. xix.]

capital. But *objectively*, in connexion with the whole fundamentally distorted organization of production in the present day, the private accumulation of capital must nevertheless, according to him, stand condemned as an exploitation of labour, as cheating, as extortion. The returns to capital out of which great private fortunes are amassed only yield such great accumulation and superfluity *because the wage labourer receives in money-wage less than the full value of the produce of his work*, and must let the surplus-value daily fall to the share of the capitalists' profits. The worker receives in wages (according to the actual doctrine of the liberal political economists) on an average *not* the full productive value of his day's work, but very much less—in fact, only what will bring him the absolute daily necessities of life. He works ten or twelve hours, while perhaps his wage is produced in six. Whatever he may produce beyond his necessities of life (the so-called surplus-value) the capitalist pockets. The surplus-value is absorbed in daily dribblets by the great sponge of capital, becomes the profits of the capitalist, and eventually an accumulation of capital. The substance of

Marx's criticism of capital, the critical gospel of the European working-classes of to-day—is in fact the critical theory of this “capitalistic appropriation of surplus-value.” Its various forms and conditions were placed in the most glaring light by Marx, who made use of a comprehensive mass of material drawn from the circumstances of the English industrial system. The inter-competition of the wage-earners, the fluctuating condition of social production, the disturbing effect of machinery, the changes in technical manufacture, foreign competition, and many other circumstances, combine (we are still quoting Marx) to reduce the wage-earner and the small trader to the necessity of handing over to the capitalist (be he landlord, manufacturer, or dealer) the daily produce of his toil, he receiving in return not the full value of his day's labour, but only his necessities of life. The surplus-value of his day's labour over the wages he receives must fall to the share of capital, and enrich its possessor, partly supporting his luxurious household, partly (and in a greater measure) furnishing his endless accumulations of capital. So there goes on, under the mask of a wage-system, the daily and hourly exploita-

tion of the wage-earners, and capital becomes a vampire, a money-grubber, and a thief. And yet *subjectively* the respectable citizen is free from blame ; he is actually compelled, by the force of an anarchical competition, by the whole existing system of production as by law established, to join in the race for wealth, to abstract as much as possible from the earnings of the workman, and to increase his own wealth indefinitely ; for otherwise he would fall out of the running. Looked at in a purely *objective* light, nevertheless, this way of proceeding is disgraceful ; it is the *system* which must be altered.

How this alteration is to be effected we are not very definitely told. But from the critical premises given the conclusion can be drawn with some degree of certainty. When, instead of the system of private and competing capitals which drive down wages by competition, we have a collective ownership of capital, *public* organization of labour, and of the distribution of the national income—then, and not till then, we shall have no capitalists and no wage-earners, but all will be alike producers. The whole produce of the nation will be divided

among all, in proportion to the work done by each; profits will no longer encroach upon wages, as there will no longer be wages and profits, but only payment by the community, a publicly assigned income uniformly arising from labour, and proportioned to its quantity and social utility. The only part of the national produce not distributed generally would be that which was reserved by the public overseers of production, and the bodies representing public departments, partly for keeping up the supply of collective capital, and partly for the maintenance of other not immediately productive, but generally useful, institutions,—in fact, the public departments, by which in the long run all citizens benefit. This portion, the most direct form of taxation in kind (being subtracted before any distribution of private incomes was effected), would take the place of the existing taxes, and be used for the common benefit, and as the permanent stock of the collective capital. In one passage* Marx expresses this roughly somewhat as follows:—The total product is a social product. Part

* P. 37, ed. i.; p. 48, ed. 3. [E. Tr. p. 50.]

of this product serves to replace used-up capital as means of production : it remains social. But another part must be consumed by the members of the community, and hence must be distributed among them. It may be assumed for the moment that the share of each producer in the necessities of life will be defined by the time he works. Thus the time of work would serve both as the measure of the producer's individual share in the common labour, and also as measure of his share of the common product for individual consumption.

Evidently the whole programme is something very different from a periodical redistribution of private property. It implies collective ownership of the means of production (which production is already, as a matter of fact, collective in form); direct provision for the maintenance of public departments out of the returns to collective labour instead of by taxation; distribution of the remaining material wealth among individual producers, in proportion to their work, as private income and private property ! It is, then, absolutely false to say that socialism is the system of periodical redistribution of private possessions. That is

absolute nonsense, and every page of a socialistic journal rightly condemns such an account of the matter as the result of gross ignorance.

From the criticism of the private-capital system which we have been examining, it appears that socialists entertain no doubt whatever as to the ultimate establishment of collective ownership in the means of production. They are not greatly concerned at the enormous difficulty of the transition to the new conditions. They count on the "expropriated masses" against the "few expropriators," on the completion of the process of the destruction of the middle class, and the final intolerability of a continued system of private production, in the face of a thoroughly dissatisfied working population which has thrown off all belief in authority.

On the question of *Right* in the transition to the new conditions the socialists again feel no doubt. What they say is to this effect: The bourgeois may have a right to what he has earned under the existing system of production, and we can compensate him for his private capital as he did others for the feudal dues. But he has no right to demand the postpone-

ment of the better system of production for ever and ever.

This may be proclaimed at any moment in the name of the people as a new legal system. Then the capitalist, being left by himself, will no longer be able to carry on his great enterprises. He must, and indeed will, be thankful if he and his children are compensated for the loss of their private capital by regular instalments paid in commodities for their maintenance during a certain length of time, until all shall have grown accustomed to the new state of affairs. He will submit to the right asserted by the majority of his own people, as the nobility was forced to submit to the new popular rights asserted by the middle-class, and to be content with compensation for their feudal rents.


No doubt socialism is not averse to granting compensation to the present private owners, if they allow themselves to be expropriated with a good grace ; and appeals to the precedent set by liberal reformers in the expropriation of the feudal nobility and feudalised Church, by means of compensation and the acceptance of rent-charges.

But even if the full compensation were given, it would only be paid to the persons bought out in the shape of consumable goods, not in sources of income or instruments of production of any other kind ; as private property in the instruments of production would no longer be allowed, even if compensation in the form of consumable commodities were given, to the full money-value, for property that had originated from the previous possession of sources of income. It will be readily seen that with this kind of compensation the gigantic capitals of the Rothschilds and others, even if reimbursed to the full value, would only become a suffocating superfluity of consumable commodities, and could have no lasting existence. Great private fortunes would at once cease to exist as capital, and speedily also as wealth ; for the socialist community could not on principle allow for *perpetual* compensatory payments in the form of consumable commodities. The superfluity of commodities, therefore, arising from the transitory act of compensation, would not last.

From this it will be readily seen that socialism does not involve division of property, at any

rate not at periodical intervals, in the sense in which it is generally attributed to it. It *can* make allowance for wealth already accumulated as the legal product of the old system, only for the future it cannot permit it to flourish *qua* private capital and *qua* source of income. Socialism forbids the future use of property as private means of production, as a private source of income, and thus necessarily puts an end to all inequalities of income which are not the result of pre-eminent labour performed. Inequality is then, as a socialist has expressed it, *organically* impossible.

Let us try to realize in a concrete form what enormous significance these propositions have. Let the Rothschild family possess, say, £100,000,000: and let us further suppose they are fully compensated, viz., by receiving in the course of from thirty to fifty years the estimated value of £100,000,000 as an annuity, but only in the form of provisions, clothing, furniture, luxuries, and amusement. They would thus be in a position to be profuse in enjoying and in giving. But they could no longer capitalize, no longer turn their superfluity into a source of new income; they would hence, in two or



three generations, without any interference with the law of bequest, be thrown upon personal labour like any other family ; unless they preferred to emigrate, in which case the socialistic state would be hardly likely to send their annuity after them. We can certainly conceive of no more effectual attack on the aristocracy of wealth, especially the Jewish portion of it, than this exclusion of private instruments of production and private sources of revenue from the social system. And it is therefore the more remarkable that those who have introduced this idea most powerfully into the mind of the masses were themselves Jews : Marx and Lassalle are both of Jewish origin. Socialism is proud of such far-reaching effects. Its particular boast is that it would pluck up by the roots all the swindling of speculation and the Exchange, all usury, all private monopoly. And in fact no trace would remain of private gain founded on speculation, or of unearned income.

And here I must clear up one foolish misunderstanding that exists in some quarters. One often hears it said : " Socialism intends to have no economic capital, no means of production ;

it proposes to produce without land, factories, machines, tools, raw material, or fuel; for it condemns capital, and hence the continuance, accumulation, maintenance, and renewal of the plant of labour." This conclusion is taken as a triumphant refutation of the doctrine of Socialism, and triumphed over as the "blind folly" of the socialists. I must emphatically warn my readers against this class of opponents to socialism. It is only *ownership*, and moreover only *private* ownership in the instruments of production, that socialism would abolish in the future: it not only does not ignore capital as an economic factor, but, as the above quotations from Marx prove as clearly as possible, would rather seek to introduce, by the collective establishment and renewal of all instruments of production, a form of trade-capital which would assure to the whole national production an equipment of plant on the same lines as those of the best managed of the large industries of the present day. Out of the proceeds of collective production there will be effected for every department in the most enlightened manner the equipment and renewal of the nation's industrial plant. Even that

dreamer Charles Fourier demanded the abolition of the "wretched" small-trade equipment; he wished for the universal adoption of an enlightened system of large industry. How little Karl Marx dreamed of a return to small industries (not to speak of producing without capital in the technical sense, *i.e.*, without instruments of production) is proved by the above mentioned final, and therefore decisive, *résumé* of the main points of his criticism of private capital, which occurs at the end of the first volume of his book on "Capital."

We shall not at this point consider what new abuses might arise in the place of the existing evils which socialism promises to check. We have at present simply to establish what constitutes the essence of socialism. The first thing is to state its main principle clearly.

We will now attempt to follow out the concrete results of this principle in detail, in the several chief departments of national economy; in demand, production, exchange, income, domestic economy, consumption, and formation of wealth. Only by this piecemeal demonstration shall we be in a position to make clear to the reader that on the one hand

socialism in some respects involves an even wider departure from the existing state of things than its most terrified opponents dream ; and on the other to rebut a large number of false representations and unmerited sarcasms.

III.

IN seeking to follow out the theory of collectivism into the provinces of the several departments of national economy, we must first enquire according to the usual method of political economists: How would the demand for different kinds of commodities be ascertained in the socialistic state, with its system of united production? For demand is the main motive power in the industrial system; it is the weight in the clock-work of production and distribution, the force which sets the industrial system in motion to attain the material renewal of the social body in all its institutions and elements.

At present the ascertainment of the social demand for various commodities is the combined effect of the demand of all the private households in the community. Each person determines his own needs privately, and orders his supplies from traders, in whom these individual demands

meet as partial totals of the whole demand of society ; while trade as a whole, as a vehicle of the commercial demand of the general market, casts up the social grand total of *all* private demands. It is the commercial demand* which expresses the total social demand in presence of the commercial supply† furnished by the social production. On the other hand, the commercial supply of commodities as the materials of repair and maintenance is also represented in trade ; for it is to trade that the products of private businesses, acting in free competition, are handed over to be further disposed of. In the liberal economic system of to-day there obtains therefore perfect freedom of individual demand, limited only by competition among buyers ; which produces the effect that those who can pay most get first choice of the offered commodities, and the poorer consumers are pushed into the background.

Freedom of demand is a first essential of freedom in general. If the means of life and of culture were somehow allotted to each from without, and according to an officially drawn-

* Nachfrage.

† Angebot.

up scheme, no one could live out his own individuality or develop himself according to his own ideas ; the material basis of freedom* would be lost. It is therefore important to determine whether or not socialism would annul individual freedom of demand. If it would, it is dangerous to liberty, opposed to the growth of individuality, and hence to that of moral culture generally, and has no prospect of satisfying the most unconquerable instincts of man.

In answer to this question it must be confessed that socialism itself has given every cause for alarm as to its tendencies in this respect. Many of its more fanciful representatives have, indeed, insisted on variety of enjoyment, but not on individual domestic freedom ; freedom in the sphere into which every social unit, as such, retires upon himself and his nearest relatives to escape from the public social world of business, manufacture, and trade, into his individual sphere of recreation, private feeling, self-culture, and free development. Many socialists have promised to the proletariat an

* Der Brotkorb der Freiheit.

almost regal collective luxury in the way of festivals, artistic delights, and so on ; but would leave them next to no freedom in their private households, or in their individual tastes and requirements—next to no room for free family life and comfortable homes.

But still it is possible that this conception may be only an accretion to socialism ; one of those exaggerations which accompany the introduction of new ideas, as the ideal social romances of all times prove. Let us therefore examine the consequence which a sober logical deduction from the main principle of socialism would entail.

In doing so, we find, undoubtedly, that it would bring with it changes of enormous significance and extent in the constitution of social demand. Owners of large incomes of all kinds would have disappeared, and hence the consumption of private luxuries would be enormously cut down ; whereas the system of public institutions would assume far more splendid proportions, and the provision for the amusement and cultivation of the masses might attain a decidedly higher level.

On the other hand, there is nothing in the

main principle of abolition of private ownership in the means of production which would necessitate the disappearance of free demand and free household arrangements, nor yet the destruction of family life and of the freedom of private social intercourse.

A complete and officially organized system of collective production could undoubtedly include at least as thorough a daily, weekly, monthly, quarterly, or yearly statistical registration of the free wants of individuals and of families, as under the present system these effect, each for themselves, by their demand upon the market ; and the national production could thus both in respect of quantity and of quality adapt itself to this free demand. In this system we should not expect to find the extraordinary fluctuations of demand which are now of daily occurrence, since the standard of consumption would vary very little throughout the community, the proletariat and the plutocracy having alike disappeared. Storage and warehousing arrangements would of course be necessary, to keep the balance between production and consumption, but these exist in the present system in the form of speculative trade-warehouses.

It would no doubt be in the power of the State to check entirely all demand for what seemed injurious by simply not producing it : the vegetarians, Balzer for instance, lean towards socialism for this reason. But to keep the whole community free from adulterated and pernicious goods is no small advantage, and the task of guarding against the abuse of this power (for instance, by unreasonable temperance men) could safely be left to the strong and universally developed sense of individual freedom.

There is therefore, *on the whole*, no reason why in a system of united collective production the wants of individuals should be regulated by the State or limited by its officials. It is specially important to emphasize this, as we must insist that if socialism did deny the freedom of individual demand it would be the enemy of freedom, of civilization, and of all material and intellectual welfare. This one practical fundamental right of the individual to spend his private income according to his own choice is not to be sold for all possible advantages of social reform, and therefore socialism must, to begin with, be brought to a clear understanding on this point. If it un-

necessarily gives to its principle of production such a practical outcome as shall endanger the freedom of the individual in his own household arrangements, it becomes inadmissible, whatever countervailing advantages it may promise, and even really offer ; for the present liberal system, in spite of all its accretions, is ten times freer, and more in the interests of culture.

Let us now pass from the subject of demand to consider production and exchange, and the capital necessary for both. It has already been shown that the most revolutionary effect of socialism would be produced in this field. No private capital, and hence no competition of private capitals is any longer to exist ; both are gradually or suddenly to be set aside.

In their places we should have a State-regulated organization of national labour into a social labour-system, equipped out of collective capital : the State would collect, warehouse, and transport all products, and finally would distribute them to individuals in proportion to their registered amount of social labour, and according to a valuation of commodities exactly corresponding to their average cost of production.

This organization of capital and labour would evidently be incompatible with the continued existence of speculation, private enterprise, the market, the Exchanges, the use of money, private rents of all kinds; and it is in this that, according to socialists, its greatest merit lies. For a mind thoroughly imbued with the ideas of the existing system, these features of the organized productive community of the socialists are so inconceivable that it will be advisable to consider them more closely in detail. We must of course defer for the present the consideration of one important point, namely, how, even in the social State, every individual is to have an economic motive, as it involves the consideration of the socialistic theory of value.

Let us first consider the organization of the production and exchange of commodities.

The arrangements for *traffic*, necessary alike for production and exchange, would be in the form of public departments, as is to a large extent the case now. Certain of them would, — as at present, supply the private individual's requirements in travel and correspondence: he could draw stamps and tickets as part of his

payment for labour. All business traffic, on the other hand, would be carried on between public productive businesses, and would consist of State-organized transport of labour-power, of raw materials, and of commodities in different stages of completion, all the communication between the productive businesses and the depots for distribution being under one uniform guidance. Private payment for the transport of goods according to a fixed tariff would therefore no longer exist, since the community would hold and manage the capital of the traffic department, and pay its agents according to the quality and amount of their work, in the form of certificates upon the public commodity-stores. The controllers of the system of traffic would therefore have to see to the proper lading of goods, the cheapest way of sending them, their safe delivery, as also to the book-keeping of the transport department, and finally to the economical and profitable management of the transport machinery itself.


All this is fairly comprehensible to the minds of the present generation ; for the machinery of intercourse is already public and centralised, *e.g.*, the post, the telegraph, and partly the

railway. Most people even approve of such a system.

But it is far more difficult to conceive of socialism in the domain of *industrial production*. We will therefore first examine this from a negative point of view.

!! Socialism would not necessarily transform at one blow all private productive businesses into socially managed concerns and State-factories, entirely under public industrial officials ; it might organize on a public basis one branch after another, transforming them into collective capital and socialized labour. The socialistic reform might adopt the system of territorially organised corporations, devoted to particular branches and phases of production. It might begin by taking only those branches of industry which are already carried on on a large scale, and consolidating them into uniform productive public bodies under State regulation and inspection.

The product of the already socialized businesses would then either be thrown upon the open market, or be disposed of at a rate proportionate to the time and labour expended on it, the proceeds of which would be divided



among its publicly registered workmen, who would have an interest (with reference to their labour-product), in maintaining among themselves discipline and self-control. Only the already socialized branches of production would form a conjointly responsible system of capital and labour. In many departments it might for a time be left to the option of producers whether to merge themselves in the State businesses or not. The attractive power of this socialized productive system would have to lie in its profitability.

Even in the final consummation of socialism, it would *not* be necessary that *every* form of production should be included under this system of industrial corporations. There might very well be still some who produced for their own consumption, provided they were not allowed to sell their products to others. Social services which by their nature cannot be centralized, being *personal* services (those of the physician, the artist, and others), might even be left to the competition of private payment (by means of the transferable labour-cheques of the customers) ; or private payment in these professions might be combined with the already existing

system of public salaries for attendance. This kind of private interest of the individual in his social calling in the region of personal services is quite conceivable in all cases where capital plays no conspicuous part in the service rendered. Only those personal services which require a large capital would have to be discharged by salaried public officials administering public capital : in the government, in education, and in the municipality we have *already* such publicly salaried officials whose labour is socialised labour.

The socialistic system of production in general is *not* absolutely new to us ; it is merely the universal extension of the *public service* and of *public departments*.


Therefore there is absolutely no ground for the criticism sometimes passed on socialism : that it is an absolute negation of the State and of the municipality. Economically considered, it is rather the universal application of the special principle of the State and the municipality, the extension over the whole range of social production of the idea of an official public service. The collectivist principle, whether realisable or not, is essentially a State-

principle. It places the process of production under a united, even if loosely federated, organisation, instead of leaving it to the unconscious total effect of a number of privately competing forces. It is from this that socialists take their name of *Socialists*; for this that they in particular condemn the liberal industrial system as "anarchical," "disunited," "haphazard," exposed to every kind of private abuse, "antisocial," "individualistic." No one with any knowledge of their literature has any excuse for bringing up against the socialists the reproach that they are opposed to government, or anti-social; for it is precisely this which the collectivist more appropriately throws in the teeth of his liberal opponent.

Universal suffrage would not be absolutely necessary to a victorious socialism. It is true that during the transition period of the struggle with liberalism, socialism will adhere to the principle of universal suffrage. But if the united organization of labour were carried out, the social body would bear that firm "organic-corporative" structure peculiar to the Middle Ages in a higher, more universal, and more imposing degree than they. In the liberal


individualistic state an organic class-representation can be only simulated by a system of constitution-tinkering and sham representation: a thorough *organisation* of power is, in essence, more foreign to the individualistic liberal state than it would be to the socialistic state. This is self-evident, and socialists are very well aware of the fact, however little they trouble themselves at present as to the ultimate constitution of their state. Here again the idea of a collective organisation of production is not hostile to the State, and it would be well if such manifestly inapplicable expressions were banished from the controversy. On the contrary, all the centralisation of the liberal state advances the cause of socialism, and harmonises with its principle. Lassalle's great jurisprudential work, "The System of Acquired Rights," culminates in the political theory that no social function ought to be under private control, and that the private control of social production by means of capital is just as anti-social, just as feudalistic, as the former patrimonial rule of the feudal nobles over the State.

There is another false representation which



is even more widely spread. It is said that the well-known defects of public administration to-day would be universal under socialism. This argument must not be relied on. To begin with, there are at present branches of public administration which are at least as economically managed as the machinery of capitalistic speculation, or more so : such are the post, the State-railway (in Germany), the telegraph, municipal gas and water supply departments, and others. But further, the socialists are able to allege that government works under the liberal capitalistic system are under totally different conditions from those of government works under the socialistic system ; they would point out that the workmen and overseers of government works to-day have of course no possible personal interest in producing carefully and well for the State. The State pays them their wage whether they have worked well or ill. But it would be otherwise if each received more income the more all the rest accomplished in each and every department. Then to do good work for the community in every branch would have become in the highest degree the private interest of each : the control and

discipline of labour, which is becoming under our system more and more impossible—and the lack of which is leading it ever nearer to the verge of collapse (so say the socialists)—would under their system be better guaranteed by their collective bonuses; for it would be a matter of importance to each, in respect of his bonus and his pay, that no one should receive a full certificate for bad or lazy work; it would be to the interest of each that the average cost in labour should be as low as possible, because the price of social products would be determined by it, so that labour certificates would be worth more the lower the social cost of every kind of commodity. And, certainly, this line of argument is unimpeachable, at least in so far as that we cannot form any conclusions, from the non-income-yielding public departments of the liberal state in which State-management is the exception, as to the economic results of publicly managed businesses, which should form the rule, and whose total revenues would be bound up with the private interests of each person. In short, no penetrating and unprejudiced observer can rest satisfied with the customary dismissal of socialism with the




words, "It would render universal the mal-administration inherent in all public productive departments." Partisans of the existing social order are rather to be earnestly warned against being so satisfied.

The main question is very different, and is in fact this : whether socialism will ever really be in a position to give effect, on its own ground, as fully, or even more fully, to the great psychological truth and economic utility which lies in the liberal principle, according to which *private* interest is made a motive to the discharge of the functions of social production. To the present writer this seems the crucial question—and one by no means decided as yet—on which in the long run everything turns, and upon which depends the triumph or defeat of socialism, and the reform or destruction through it of the economic side of civilization. And therefore it will be well first to cast a few critical side-lights upon it, instead of proceeding at once to our task of establishing in a concrete form the actual contents, the quintessence of socialism.

Socialism, *as at present formulated*, has absolutely not attempted to establish by what means

it intends to bring such an enormous mass of collective labour and collective capital in all its minutiae to the pitch of profitable individual work. From one central point it is impossible to secure, either by means of punishment or by appeal to the popular sense of duty, or by any other means, that everywhere, throughout the whole circle of the unified social production, everyone shall work at the lowest possible cost, and with the greatest possible result ; that production shall be economical in every sense of the word ; that no one shall defraud the public of his time ; that no one shall dissipate or abuse the stock of national capital ; that in every department the stock of the means of production shall be renewed at the right time and in the most profitable manner, both as to quantity and quality ; that different labour-qualifications shall be rightly and fairly valued ; that from the smallest trade officials up to Fourier's "Omniarchs," there shall not be more exploitation and embezzlement, more surplus value absorbed and undue profit-making carried on, than exists to-day in the liberal capitalistic State. It will not be sufficient by itself in a producing community of millions for producer A. to feel :



My income from my social labour is conditional upon my 999,999 co-operating comrades being as industrious as I. This will not suffice to awaken the necessary reciprocal control, at any rate it will not stifle the impulse to laziness and to dishonesty, nor hinder men from defrauding the public of their labour-time, nor render impossible a cunning or prejudiced contrivance for the unjust valuation of individual performances. Socialism would have to give the individual at least as strong an interest in the collective work as he has under the liberal system of production—it would have to secure to every sub-group a premium on extraordinary amounts of collective production, and a loss through collective slackness; it is as much and still more bound to bestow effective distinction on all special success in technical development, and duly to reward great individual merit; and, finally, would have to provide that all the innumerable labour-forces should be directed into the channel of their most profitable use, not by the orders of an authority, but by the force of individual interest. Otherwise, it will scarcely secure a fairer distribution of the national produce, and certainly not greater economy in social produc-

tion, than is on an average secured by the liberal industrial system, acting through the most acute stimulus to private interest, and by proportioning price not only to the cost of production, but also, and mainly, to the value in use of separate services and commodities at a given time and place, and in a given trade or industry.

I am by no means prepared to maintain that socialism *could* not succeed in doing this. The scientific discussion and thorough sifting of this question is now only in its beginnings.* But one thing can be positively stated: the socialist programme of to-day does not yet fulfil this condition; it has not yet the necessary practical clearness of ideas as to the requisite organization of competing labour. And yet there can be no doubt that if the present capitalistic competition, with its strong economizing pressure, were withdrawn, the competition of labour would have a larger task, and would need a stronger impulse and a nobler organisation.

* The author refers, for an account of the decisive points, to his own works, "Gesellschaftliche System der Menschlichen Wirthschaft," 3rd edition, 1873; and "Bau und Leben des Socialen Körpers," vol. iii.

In particular, the socialistic theory of value, so long as it depends for the computation of the value of commodities only on their cost to the community, and not their constantly changing value in use at given times and places, is quite incapable of solving the problem of production with collective capital which socialism propounds, on any really sound economic basis. As long as socialism has not something, quite other than this, and more positive, to offer on this point, it has no chance. Its proposal to abandon a system of production which, with all its disadvantages, does, nevertheless, afford to a tolerable degree a many-sided guarantee of economy, for the sake of a fairer distribution of produce whose possibly accruing disadvantages are at present beyond our power to forecast,—this proposal, I say, will not prevail by fair means, and if carried into effect by force will not have lasting success.

If, on the other hand, socialism should succeed in rendering its undoubtedly more uniform and consciously social principle, and its radical abolition of private profits and private monopolies, compatible with all the advantages of private interest in production, and spontaneous


reciprocal control in the fulfilment of social functions; if it should retain all that is good in the existing system,—then, indeed, it would be sure of ultimate triumph, although, perhaps, not for a long time to come. Then it would be clear that its cause was being powerfully advanced by the whole present development, the increase of centralization in the State, the increased scope for larger organization in modern means of communication, the universal tendency to form large industries and to mechanical concentration in general, the association of the workmen in large industries and their growing unmanageableness by private employers. But then socialism would have to lay aside precisely what makes it appear so formidable at present—it would then really represent a phase of development which would not mean a complete uprooting of existing conditions, but a leading up of the results of past civilization to a wider and higher accomplishment. But this is a very long way off at present. Still, we have no right to conclude beforehand that such a purified form of socialism is impossible. The study of this is one of the greatest and most conservative of undertakings, an undertaking fraught with more critical results

for the future fate of civilization than any other. But we must reserve the task of working out the solution of this question in detail from the standpoint just designated, and must return to our immediate problem of laying down the consequences of the first fundamental principle of socialism.

It must be clearly borne in mind that socialistic production involves, as an axiomatic necessity, a single or united organisation.

What shape this organisation would take, whether centralized or federal, whether absolute or democratic, whether and by what means it would be possible to make such a unified production also thoroughly economical, need not now be considered: even the socialism of the present agitation shows immense gaps in this section of its treatment, not to speak of the older communism, which came to some extravagant and really laughable results through feigning the transformation of man's ineradicable impulses into pure feelings of brotherhood and of social agreement. But every socialist must necessarily insist on the necessity of a social, and hence of a unified, system, *i.e.*, on the union in one management, with a definite pur-


pose, of the process of production as such. The anarchy of individualistic competition is, according to his premises, the source of all the evils, all the swindling and disorganisation, all the fluctuation, exploitation, and injustice of the present system. The socialistic state will not be realized till there remains only collective property in the instruments of social production. This must be borne in mind in order to understand the lukewarmness of the clearest heads among the socialists towards the petty co-operative associations of a Schulze, and towards the question of profit-sharing among workmen, towards the labour-bureaus of the liberal state, and towards the equally anarchical system of independent productive groups (such as are suggested by the anarchist), with their associated capital held together by no bond of union, but meeting on the bare footing of contract. Such enterprises are based on the competition of separate capital; they have a disjointed system of production; they presuppose always an anarchical struggle of private interests (between employers and employed, between earnest and idle workers, between co-operators and non-co-operators, between shrewdly



managed social productive societies successful in their speculations, and unsuccessful competing associations). The clear-sighted socialist, as is well known, approves these only in so far as they draw closer the connexion of the worker with the means of production, and advance the growth of a consciousness of collective interests ; for the rest, he shrugs his shoulders at them. This consideration alone explains why Karl Marx was so indifferent or even averse to these "reforms." Socialism demands that there shall be collective ownership in the *means of production* ; then and then only will it be possible to effect, in due proportion to labour, the assignment of incomes and private property in the *means of enjoyment*.

IV.

THE principle of socialism is thus opposed to the continuance not only of private property in directly managed means of production (that is in private businesses and joint-stock and other associations of private capital), but also of individual ownership in indirect sources of income ; *i.e.* to the entire arrangement of private credit, loan, hire, and lease,—not only to private productive capital, but also to private *loan*-capital. State credit and private credit, interest-bearing capital and loan-capital, are incompatible with the socialistic state. Socialism will entirely put an end to national debts, private debts, tenancy, leases, and all stocks and shares negotiable on the Bourse. At the most it would only concede compensation for such investments by a payment in consumable commodities. A permanent hereditary aristocracy of wealth, whether landed or commercial, founded on rent and



interest, would be impossible. Socialism recognizes only an aristocracy of personal merit, publicly acknowledged.

In order thoroughly to understand this transformation, which by itself would entirely change the face of society, we need only again lay stress on the fundamental thesis of socialism.

The community would be the owner and renewer of all instruments of production : it would be the universal capitalist. What opportunity would there be for the private transference of capital by way of loan to individual traders, *i.e.*, for productive credit? There would be no more private capital and no more private enterprise.


Consumers' credit, to meet the pressing need of individuals, could only be granted by the State as an advance on the labour which the debtor is ultimately to render to it. In the socialistic state there can be no consumer's credit, in the sense of an extraction of exorbitant profit from the wants of the poor ; and this is regarded as one of the highest merits of the scheme. It would be the community that within certain restrictions would make special

advances on future labour to those in distress, or to those needing training, and would charge them to their labour-account. In the same way the community would credit people with their savings—that is, would undertake assurances for future payment whenever the worker wished to postpone the enjoyment of his earnings. Personal insurance would thus be possible, but it would be based not upon payment of interest and on a speculative banking-system, but upon non-interest-bearing social labour-accounts, in which the individual is credited with his undrawn labour-balance, or may anticipate his future earnings by way of advance.

There would be no such thing as *a lease*, in so far as leasehold property consists of means of production, which would be in collective ownership.

There would be no *hiring of shops and warehouses*, as speculative private trade would have entirely ceased.

All *hiring of dwelling-houses* would be excluded; for in the socialist community there would necessarily be a profound repugnance against the payment to individuals of so-called “ground” rents (rents for the better or better-



situated sites and houses), against which a proclamation was directed in Basle ten years ago. Moreover, it is impossible to bring stability and regularity into the popular dwellings' system unless it is protected from the choking growth of rent, and, by the action of society, organically and systematically treated with reference to the locality of employment.

National credit would be in its nature superfluous; whatever was assigned to the State as an extraordinary requirement could only be obtained by taking it in kind, with constitutional sanction, from the stores, which are public institutions to begin with.

It will be admitted that all these demands are strict consequences of the main principle. They have already in part, and with more or less clearness, been inferred and propagated, and become conscious doctrines of socialism.

Let us just imagine the total disappearance of shares, stocks, partnerships, superior rents,* mortgages, private loans, agricultural rent, and house-rent. It is plain that with this total abolition of the investment-list the entire social

* "Prioritäten." [P]

life of to-day would be transformed throughout. Not only the conditions of property and income, but the variety of consumption and demand, especially the consumption and production of luxuries, would be largely cut away—individual demands would be very greatly levelled. Especially, there would no longer be a stock exchange. Socialists of course allow no weight to the objection that this transformation endangers the future of the cultivated and propertied classes. They confront it with the equal right of the proletariat's descendants to property, culture, and enjoyment; and they promise to all, who are willing to work, an average degree of comfort, not excluding better payment for *personal* services. As a matter of principle, socialism cannot concede more to these classes than compensation for interest-bearing property by means of a certain amount of annuities, payable, in means of enjoyment, through the time of transition. The monstrous actual abuses of public and private credit, and the unclean brigand-aristocracy of the exchange, are things which it positively desires to cut up by the roots.

V.

BUT that is not sufficient. We must add that socialism, from its premises, can no longer allow trading and markets, and that it would be necessary even for coinage eventually to cease to exist, and for labour-money (certificates of labour) to take its place. Private trading capital would be inconceivable.

The private speculative trade of to-day is evidently the effect of private production and competition. Since, at the present time, the total production of society in the way of agriculture and of manufactures is resolved into innumerable private concerns, a unifying bond throughout this total production is wanting. Now this bond is replaced by trading capital, since it receives the output from one trade to hand it over to another, and finally to the consumer. Each of these acts of buying and

selling is necessarily remunerative ; for private people conduct the exchange of commodities for reasons of private gain, which is determined in the interests of society solely by the competition of other private capital upon the market ; they demand a profit on each transaction. But if we suppose the production by private capitalists to be removed, and a unified, organised common-production in its place, buying and selling, competition and markets, prices and payment by money are at once superfluous. *Within* the socialised economic organization they are even impossible. It would only be in business relations with capitalistic states, or with capitalistic survivals inside the national *régime*, that the balance on the value of imports and exports and of internal barter would have to be adjusted by money. The use of money would only be necessary within the socialist state for so long and in as far as the principle of common-capital was not immediately or exclusively recognised.


But let us examine this somewhat closer, in order to make it intelligible why socialism insists, and on principle is forced to insist, on exterminating trade, the use of money, markets,

business competition, and, above all, the stock exchange. That socialism has this intention every one knows who has studied its comprehensive attacks on trade, the stock exchange, and money, at first hand, and not from hearsay ; even in Fourier's time these formed the chief objects of his social criticism.

Imagine the control of all production vested in a single office of public economy, in a single central office representing the bureaus of production and sale, it being insignificant whether this control was arranged in the spirit of federal or of centralistic socialism. In such a case no doubt an actual transport of products from one factory to the other, and a delivery to the consumers, would have to be organised from the central and intermediate stations in the economic organisation ; transport, housing, and storage, in order to secure the distribution of each article of production over all the necessary districts in the right proportion and at the right time, and in proportion to the public returns stating the demand of each district, become unavoidable. Therefore transport and storage, which accompany the trade of to-day, would be the necessary concomitants of the

barter of the socialistic state, and would be conducted in accordance with a centralised filing of accounts, book-keeping, and settlement between all the branches of business. But this barter could no longer be a private transaction or exchange, therefore no longer trade, nor purchase and sale in a continuous chain of private transactions. Trade would disappear, would really have become superfluous. The bond between the productive trades, which can only be tied by each for itself while the mode of production is private, isolated, and speculative, would be replaced socialistically by an economic bureau-organism, having public dépôts for transport and storage at command. Competition of speculative business-capital would be therefore not only superfluous, it is simply inconceivable. There would indeed be a comprehensive socialistic barter of products, but no speculative exchange of commodities.*

* "Waaren" has been here translated "commodities" in accordance with the usage of the English translation of Marx's "Das Kapital," of which see ch. i., "Commodities" (Germ. "Die Waare"). "Waaren" = "objects *produced for sale*," "wares," and must not be confused with "Güter," "concrete utilities," also sometimes rendered "commodities."



The bartered products would, it is true, still be cargoes and provisions, but no longer articles of private speculative exchange, *i.e.*, no longer commodities.* This is the tenor of the explicit demonstration of the socialist, that for goods to assume the form of commodities* represents only a "historical category," attendant on the present individualistic method of production, and that this category is of a necessity absent in every truly socialistic method of production, and would therefore be foreign to the future socialism, just as it was historically foreign to the patriarchal and feudal internal economy, and did not occur in the ancient Indian community and internal family-economy.


As a natural consequence, markets and the Exchange disappear with commodities,* trade, and profit; the Exchange, because private credit, as shown above, would be done away with. But the market for commodities would disappear for other reasons. The chief aim of the speculative market is threefold :

1. Social determination of the collective demand, which, economically speaking, is able

* See note on p. 72.

to be satisfied ; 2. the determination of the quantity and quality of the produce, which, economically speaking, deserves to be furnished (is demanded) ; 3. the continuous establishment of an exchange-value, such as to maintain the economic balance between production and consumption.

This threefold aim of the market, again, would have no *raison d'être*. The bureaus of disposal ascertain the demand, distribute accordingly the national labour among the different classes of trade, and among the departments of production, transport, and storage, and their bureaus, and fix the value of the produce in proportion to the labour-time socially necessary to be spent upon it (Karl Marx). The produce would be distributed in accordance with the thus regulated value, by way of liquidation of the labour-accounts of the entire body of producers. The market of speculation would therefore be superfluous. This market is nothing but the consequence of the individualistic mode of production, which is forced under the alternating pressure of the competition of innumerable private interests in the open market, mechanically and unsteadily, into economic paths. It would have



no purpose within the area covered by a unified collective system of production.

The financial corruption of the press would of itself disappear along with speculative trade.

Since the community is systematically to fix the "exchange-value," or rather not exchange-value, but social value-assessments, the press would have no influence upon it. The financial press would no longer be able to influence prices and exchange. Besides this, it would no longer be an object of speculation itself; its freedom could only be based upon free support by association; its text would be obliged to dispense with speculative advertisements. All that would no longer exist! The Israelites of socialism, therefore (compare Lassalle's special treatise on the proletariat of the pen), oppose the "Judaism of the press" just as fundamentally as they do the Judaism of trade and the exchange, and indeed without any national ill-feeling. All three flourish luxuriantly in the liberal soil of competition and speculative economy, and have grown great with them.

In a similar manner much else would disappear! The entire costly and luxurious

organisation of advertisements and show-rooms, with the enormous rents of warehouses, together with wholesale and retail trade, and the sterile and parasitic dealings of the middle-man, would vanish of their own accord, together with trade-competition. We can see that the metamorphosis would be thorough.

VI.

THE energetic attacks of socialism against *money* are well known—the same fate would befall it as would trade.

Who in our monetary age can transpose himself into a state of affairs in which the exchange of each one's commodities and labour would be managed without money? And yet it is a matter of history that money was never used in the interior of any closed economic circle; it would, therefore, have to disappear in any close economic community such as that of socialism, just as it is still absent in every family.

The socialists emphasize, as we have already stated, the disadvantages of the use of money, in that such use conceals and favours the exploitation of labour. They point out that the remuneration of labour being in the form of a money wage hides the fact, that the

labourer does not receive the full produce of his labour in money, but resigns to the employer the surplus of his labour (beyond the equivalent of maintenance). The possession of money, they say, gives every one the power of making the most arbitrary, disturbing private attacks on the course of social production and circulation of commodities, and affords an opportunity for anarchical crises and disturbances. Money allows the unlimited accumulation of private wealth, and permits competition to finally degenerate into irremediable private monopoly. Socialistic literature fairly swarms with drastic expositions of such-like doctrines. But it is not our province here to exercise adverse criticism, but simply to certify the logical accuracy or inaccuracy of the socialistic programme. In this respect there is certainly no doubt that within the unified, closed, national economy of the socialists the present use of metallic money would find no place, and serve no purpose.

To-day, money performs two chief functions. According to the political economists, it is on the one hand the general standard of value; and also, on the other hand, in consequence of the former quality, the most general means of com-

pensation between private persons or businesses, the so-called "vehicle of value"* (common means of barter, means of payment, means of discharge, means of transport, storage, and loan).

In the second quality of means of compensation (in the commerce of exchange, payment, and loan), money would have become quite superfluous. Private exchange and loan, as we have pointed out, would actually no longer exist ; produce would be served out on behalf of society in exchange for certificates drawn on the store-account department by the labour-account department, and set off against the person's balance on his labour account, or, as might occasionally happen, set off by way of advance against his future earnings. That universal medium of purchase, which at present must be given to every private seller for his sold produce as the means of transforming it by private transactions into every kind of commodity, and as a *quid pro quo*, and so to say as tangible real security, would be of no further value. Reckonings between the bodies entrusted with the collective production and the

* "Wertübertragungsmittel."

consumers (who have credit for productive labour) would have to be made, without money, according to labour-time and value of labour-time, by a process of adjusting balances through the public administrative bureaus and clearing-houses, and in a similar manner between these bureaus themselves, in as far as they take over products from each other ; and finally between them and the public stores.

In the other quality, as standard of value, money would in the socialistic state be replaced by the average labour-day, by which the value of the products would be estimated, and, on division, be reckoned.


Also, as a means of judicial assessment, the normal social work-day would be the unit of value ; the most reliable object of judicial attachment would be provided, in the shape of orders on the public labour-accounts of condemned persons, or public debtors, for the purpose of judicial assessment, fine, and enforcement of penalty.

The standard of value, with which even the closed economic state could not dispense, would still be present, but would have become *substantially* different, *i.e.*, a definite fraction of the

aggregate social labour-time. Supposing the possibility of this new standard of value, the socialists are so far logical in most impressively proclaiming the abolition of money as now in use. As a private means of compensation, and as a universal means of purchase and token for use in exchange, it would be superfluous; and it is only for this function that metallic money is necessary. As a standard of value, we repeat, it would be replaced by the real unit of value consisting in a fraction of the social labour-time.

“Social labour-time” as standard of value! To most readers this idea will be unintelligible; many will scarcely even have heard of it. Nevertheless, this idea forms theoretically in the strictest sense the basis of socialism. It has already taken deep root in socialistic thought, and Karl Marx expressly declares that his treatment of labour as the substance and standard of value is the corner-stone of his whole system. Let us, therefore, examine rather more closely this socialistic idea of value, by unravelling the somewhat entangled, dialectical web of Marx’s book, which is not very intelligible to amateur economists.

The "substance of value" of products lies, according to this theory, in the labour which is "socially necessary," by which they are produced. The products are defined as embodied labour, congealed "labour-time," a congealation of labour. But it is not any casual private labour that determines the value, but the *socially necessary labour*, i.e., labour of such a kind as must be *on the average* expended, according to the existing national standard of technique, for a unit of supply, in order to produce the commodity to the whole extent of the demand for it. If, for instance—we may exemplify Marx's theory in this way—a country has need of 20,000 hectolitres of wheat, and for the production of it 100,000 days of social labour (labour capable of competition, or, ultimately, labour included in the socialistic organisation) must be expended on it, it would follow that the socialistic value of a hectolitre would be $\frac{100000}{20000}$ = five days of socially determined individual labour. This value would have to hold, even if individuals were found improvident enough to produce the hectolitre at the cost of ten or twenty days of individual labour. If we imagined all the species of products, which



are being continually produced, valued by the expenditure of social labour as verified by experience, we could find by addition the total of social labour-time which is required for the social total production of the social total of demand. We will assume that this sum amounts to 300 million days of socially organised labour, or, at eight hours a day, 2400 million hours of socialistic labour. The aggregate product of all commodities, at present directed by competing capital, but eventually by unified public management, would also have a total value of 2400 million hours of labour, exactly as many hours as are *actually* spent in work by one million workers in the year. The hour of labour $\frac{1}{2,400,000,000}$ of the yearly collective labour of all, would be the common standard of value, of which value 2400 million nominal units could be, and would have to be, distributed as "labour-certificates" or "labour-cheques" to the labourers, in order that they might claim from the public dépôts the aggregate product of the collective labour, worth also 2400 million hours of labour. The total sum of labour for the period would be about equivalent to the total value of the produce for the same period. The

economic bureaus would credit the work done, fix the value of the produce according to the average standard of cost in social labour-time, which would be known to them by this very process of keeping the labour-accounts, pay out cheques to individuals on their labour-credits, and against these cheques deliver the products at the rate fixed by the social labour-cost.

Nothing *appears* simpler than the harmony of this theory of value with the principal socialistic demand, to make enjoyment proportional to labour, and to apportion to each his *full value for his labour*, or *return for his labour*, as his private income, as "true, private property," to establish universally "absolute property and income founded on the individual's own labour," and to cut off the abstraction of the "surplus value" by a third party.

It is true that each does not receive *his own* product ; socialistic production has, as its object, that all should by a division of labour produce for one another. However, if only the work done by each individual were correctly estimated in terms of the unit of value consisting in the social labour-hour,—the better by more, the worse by fewer fractions of the social

labour-time, the receipt of each from society would be in proportion to his work performed for society ; he would get back the equivalent of his individual labour in the form of social products for his enjoyment.

In another relation, too, it would seem that full and fair compensation for all labour is at least proportionally given. If, for instance, it were urged that because the nation has also national, communal, educational, church, and other necessities in common, therefore the individual could not receive the whole value of his work in collective products, this would only apparently be accurate. Suppose that from the products of the 300 million socialistic labour-days even one-third, *i.e.*, the value of 100 million labour-days, had to be deducted to provide for the public expenditure, no doubt there would only remain products to the socially estimated value of 200 million labour days to be distributed privately amongst the producers, who, however, would have given 300 million labour-days. But the consequence of this would merely be that, for the performance of one labour hour, a cheque for only two-thirds would be drawn, the third third going for the common enjoyment of

the public property, being, as it were, a kind of tax. Indirectly, therefore, there would be proportionally equal income reckoned only by the standard of individual labour, private property accruing from this source, and in addition to this absolute proportionality of taxation. This is all consistently thought out. The only question is: 1. *theoretically*, whether the premiss is correct, according to which the social cost in labour is the standard of the value of commodities: 2. *practically*, whether the close commonwealth of the socialists would be able to cope with the enormous socialistic book-keeping, and to estimate heterogeneous labour correctly according to socialistic units of labour-time.

The first question must at any rate preliminarily be denied, since the "value" of commodities clearly does not depend solely on the cost, but also on the value in use, *i.e.*, the urgency of the demand. Without considering the varying use-value of different labour and different products, it is impossible to conceive a socialistic estimate of value, which could take the place of the present market value as contemplated by normal political economy. As

above mentioned, socialism must learn to make a radical correction in its fundamental principle of social labour-cost as a measure of the value of commodities. This, it seems to us, is not impossible ; we will leave it here undecided. But the bare labour-cost value, as it has been formulated up to now, invests the whole economy of socialism for the present with the character of a Utopia. If, for instance, the socialistic citizen demands bread after a bad harvest, the socialistic chief is not able to offer him stones, or clothes, or amusement instead. But he who demands the much desired bread must submit to a rate beyond the cost-value, so as to make him cut his coat according to his cloth, in order that all may have at least the needful amount of the deficient, but more coveted, commodity. Therefore the socialistic value—"exchange-value"—must not be determined only by the cost, but also at the same time by the varying use-value ; otherwise socialistic demand and supply would fall into a hopeless quantitative and qualitative discrepancy, which would be beyond control. Socialism itself ought to attempt to place this point, which has been up to now disregarded by

its theorists, beyond all doubt at the earliest possible moment (compare p. 59).*

* This was attempted several times in the year 1877 in "Vorwärts," in the criticism on the "Quintessence of Socialism." This paper gives to Marx's idea of "socially necessary labour-time" a significance which includes in the idea of the "socially necessary" what I call use-value. By itself I have no contention to make against this explanation, since it recognises, at least in principle, the necessary influence of *the varying demand* in determining the exchange-value on which I laid stress. Yet, *per contra*, I am forced to make two observations. Firstly, that I am not yet able to consider my conception of Marx's idea of "socially necessary labour time" incorrect, for Marx declares that commodities which contain "an equal quantity of labour, or which can be produced in the same time," are of equal exchange-value. Secondly, I must remark that, if Marx agrees with the explanation in "Vorwärts," the "socially necessary labour-time" would become useless as a practical standard for the determination of value, on account of the forcible insertion into the *quantum* of social labour-cost of an entirely independent second factor in the determination of exchange-value, viz., the social value in use. I leave it undecided, whether Marx recognises the explanation of his theory of standard of value as stated, and content myself with maintaining that social labour-cost *and* demand, both independent and separate, must be brought to bear on the determination of exchange-value in *every* economic epoch.

POSTSCRIPT.—Herr Schramm's latest explanation of the probable meaning of Marx's *of value* in "Vorwärts"

(1877, No. 128) ought to be examined. Herr Schramm thinks "that he is able to say, in agreement with his entire party," that "socialism does not seek or perceive any standard for division in Marx's theory of value." If that is the case, the dispute has no *raison d'être*. Herr Schramm himself, at the end of his reply, treats my theory of "natural exchange value as serviceable" (see my "Gesellschaftliche System," 3rd ed., § 110 et seqq.), in order to obtain an adequate standard of division; in this theory I give independent effect to the use-value.

For the more detailed discussion of the important question of the forms of determination of exchange value, the reader may turn to the third volume of my "Bau und Leben," which has just been published.

VII.

THIS is a convenient place to deal with the point which has been previously noticed (Chap. iii.), a point which has hitherto been the weakest, or at any rate the obscurest, in the formulation of the socialist's programme—namely, the economical classification and control of the work of individuals within the enormous extent of the collective body of labour.

By what standard should all labour force be distributed throughout the wide area of production? Will its units readily consent to be removed, transplanted, and taught anew by the officers of the departments?

The difficulty which consists in the economical classification of individual labour-power within the whole social labour body, is very simply solved in the liberal national economy of the present day.


The rate of wages does not simply conform

to the actual cost [in labour-time], but it falls wherever, whenever, and in whatever branch of labour there is no demand apparent ; that is to say, where less use-value makes itself felt ; and, on the other hand, the price of labour rises in the place and time, and with regard to the object, of rising and more urgent demand ; that is, as the use-value increases. The result is, that individual workmen are prompted by their own interest to remove from the production which has lost its value in use, and are attracted to that for which there is a demand, and this entirely apart from official pressure. Freedom of migration is the aspect of public law which allows the individual workman to move, for his own interest, to that point where the highest wages are to be obtained.

The socialist state would never be capable of coping with its task if it did not follow on these lines, if it fixed the day's wage only on the basis of sheer cost in labour-time, instead of rating it, where there is a local and temporary fall in the use-value of any kind of work, more or less below the simple day's work ; and, where there is a local and temporary rise of the use-value of the same, above the simple day's work,

as the case may be. If it is not competent to do this, it will never be able to check the unproductive accumulation of commodities, but will be compelled to *order* all workmen to their several posts of labour. On the contrary, if the use-value is included in the social labour estimate (the social value in exchange), private interest will withdraw the workmen, then as now, from unproductive fields of labour to those which are productive. No compulsory assignment of posts would be necessary ; all the real advantages of liberal free migration and a free choice of employment might then be rather considered as transferable to the social state. The freedom of individuals in turning their energies to work would be preserved. A profitable re-arrangement of labour power would be made possible for the officials appointed to organise it.

In itself the taking into consideration of the use-value in determining social value rates is not inconceivable : with unified production it would very soon be noticed what kinds of labour are in excess, or in demand, and where this is the case. The alterations and diminutions in the demand might be much better surveyed as a whole. Lower or higher rates would have to



be fixed accordingly, in order to stimulate the migration of labour suitably to economical requirements. But then the present mistake in their theory of value, according to which the value conforms to the social labour-cost alone, would have to be abandoned, in respect of the estimated value of labour as well as in respect of the estimated value of productions. Both would have to be lowered when the use-value falls, and raised when the use-value rises. Unless this use-value is comprised in the social estimate, that is, without a corresponding imitation of all incidents which affect value in the present market, it is not conceivable that any authoritative direction of the consolidated productive system could keep the demand for labour and for goods, as to quantity or kind, in harmony with the supply of labour and of goods, —that is, could preserve that economical balance of work and consumption which is daily re-established, though only by jerks, under the influence of the market prices, which take note of fluctuating use-value (demand), as well [as of labour-cost in production].

It may therefore be seen that three things depend upon the correction of the theory of

exchange value in question. I. The possibility of maintaining and of generally directing so great a body of labour, production, and demand in economical equilibrium. II. The granting of the necessary individual freedom of labour and consumption. III. Lastly, the stimulation of each individual at all times to the economical employment of labour-power and of goods. By this means the new condition of things would indeed come very much nearer to the life of the present day, and to its usages. The good points of the liberal political economy, individual freedom, free migration, free choice of occupation, might perhaps be maintained in force, whilst the want of united organisation would come to an end.

Now whether it would ever be possible to organise a social system of assessing values (a determining of the social exchange value), according to a scale in which the particular and changing use-value of all individual labour and all particular produce should be a factor, we will not decide for the present. The question has as yet hardly been discussed, and is, therefore, not ripe for decision. But we venture to affirm, absolutely, that to have regard to the

use-value in the constitution of the exchange value (social value) of labour and of produce, must be considered as the first and most decisive preliminary condition. In other words, if socialism is not able to preserve all the good points of the liberal system, such as freedom of labour, and of domestic supply, and then to annex to these its own undeniable specific advantages (of reciprocal supervision and control of labour ; a more efficient but free discipline ; a more certain check against over-work, and against the neglect of children and women ; the hindrance of exploitation by private interest ; the removal of idleness, and of unproductive parasitic life ; the prevention of corruption, of boundless luxury, of crimes against property, etc.),—if it is not able to accomplish this, it has no prospect of and no claims to realisation ; for all the last named advantages may be converted into their opposite evils in a polity resting on compulsory labour, and only held together by mechanical coercion, if the freedom of individual movement cannot be secured its due and wide scope for action. It is remarkable, and even comforting, that all which is required to make socialism so much as a matter of practical discussion, urges

it to preserve, and even to intensify, the brighter elements of the liberal economic system.

I trust that I have not trespassed too far on the patience of the reader by dwelling so long in the preceding passages on the principles of the theory of value. It is our conviction—the result of careful scientific examination—that this theory has no less significance for the future than any theory of Rousseau, and of the other spirits of the first liberal *bourgeois* revolution. The correction of the now widespread theory of “social value in terms of labour-cost” is perhaps significant for the history of entire nations.

VIII.

WE have found thus far that in relation to the social production, circulation, value-assessment of goods, the socialistic principle does not permit anything to survive which essentially belongs as attribute or consequence to the system of private production. Private wages, speculative separate capital (private and belonging to companies), competition, market and Exchange, market price and exchange price, commerce fostered by advertising and by puffing, the splendid arrangements for display of wares, use of coinage, credit, hire and lease, as well as all the present forms of private income (wages, profit, interest, ground and house rents), the derivation of public income from private income (that is to say, existing taxation),—all this, which makes up the essential characteristics of the modern economic system, could not co-exist fundamentally and in the long run with the “socialist” principle of production and

circulation of commodities—it would belong to the “surmounted categories of history.” Quite a new world presents itself, which it is wholly impossible to realise when one first begins to occupy one’s self with the theories in question. Collective production on a large scale by division of labour would be the only thing which would pass over out of the present into the socialist state as ripe fruit of developed capitalistic society, and would moreover be generally accepted.

Let us now turn to the politico-economical categories of the distribution and consumption of useful things, to income and to the application of income, and ask, What form would income eventually assume? how would it be applied to consumption, and to the building up of private property?

Let us first of all bear in mind that all private incomes generally—apart from gifts and freewill offerings—would, without distinction, be the income of labour! The assignment of produce would be accomplished at the public delivery store as a liquidation of credit for labour rendered. The distinction between profit and wages would belong to the “abso-

lutely surmounted categories of history" (Marx). It has also been demonstrated that the whole community would no longer derive its income from the previously determined private income of citizens, as in a liberal capitalistic society ; that is to say, that taxation in its present sense would be inconceivable. That which the community had sanctioned as the demand for public purposes would be drawn straight from the public stores, and would be applied in payment of salary to the public servants, since the community would have in hand all stores of produce in kind. It is remarkable that this strict inference, which sets aside with imposing simplicity taxation and everything connected with it, is not drawn, or at least not discussed, by the socialists. It is quite clear that the imposition of taxes as a method by which the state income is derived from private income is only a necessary attribute of states where individuals produce at their own discretion ; in the socialist state this—even as a single tax, viz., an income tax—would be a roundabout process [literally, a procession of a church round a village].

Now, how would matters stand with respect

to the possible employment of private income?

We may conceive of four ways of the voluntary expenditure of all private income :

- I. One's own consumption.
- II. One's own savings (direct accumulation of property).
- III. Handing over to others with a view to reimbursement (indirect accumulation of property).
- IV. Donations to third parties [*i.e.*, parties not under contract to you].

Let us now review, only briefly and generally, these four cases, with reference to the consequences of the socialistic principle.

I. Private consumption!

The principle of production by collective administration does not in any way prevent each one from procuring with his labour-wage what suits his need or his pleasure. In certain cases, indeed, where the requirements were physically or morally injurious, or irreconcilable with its principles, the self-complete industrial commonwealth might reject or radically cut them off, by not producing or offering for sale the means of gratifying them. These would be the

only cases in which a private application of income and the free choice of what suited the individual's wants would be excluded (see above, chap. iii.).

II. Saving and the accumulation of private property.

This, too, so far as it has not for its object the means of production employed by collective labour, is perfectly compatible with the main principle of socialism. In opposition to all contrary views, which have been very widely spread, it must be emphatically stated that socialism does not universally exclude either property in general, or private property in particular. The principle of collective labour does indeed demand plainly, and pretty exclusively, collective capital, but it does not without ceremony deny the admissibility of private property. As immediate consumption at pleasure is compatible with it, so also is the private accumulation of useful things at pleasure,—if they do not serve for production; so too is the formation and bequest at pleasure of private property in the means of enjoyment. The total suppression of private property, as also the unceremonious levelling of all private

requirements, is not a consequence of the admitted principle of socialism in the present day,

It is only in connection with the means of collective labour, not in connexion with the means of individual consumption, that collective ownership is projected or is in any way possible. Common ownership is absolutely impossible in respect to the means of subsistence which only one person can eat; in respect to clothing which only one person can wear; and the means of education of which only one person can avail himself. It is all the more necessary to lay special stress upon this, as public opinion in the present day is inclined to ascribe to the collective principle a communistic and levelling tendency in the domain of the expenditure of income and of domestic economy, to a far greater extent than socialism warrants, or than its writings express; while people seem as yet hardly able to grasp the gigantic revolution in the province of production and barter, and as a natural result considerably to undervalue it. Especially on this point it is to be regretted, and can produce no good, that people will not bring themselves quietly and considerably to

form a clear conception of the real bearing of the collective principle, and to distinguish clearly between the essential quality and the accessories of socialism. The result is that its bearing is in some respects undervalued, and in others distorted into gigantic proportions. Even educated people betray a scandalous ignorance on the question of "negation of property," which is already clearly perceived by thousands of workmen, and is readily ascribed to the malevolence of the upper classes.

We therefore say emphatically that it is not correct that the system of collective property endeavours to suppress all and every private possession of property, or that it is the absolute negation of the right of private ownership. The negation only applies to private property in the means of production, which is to be replaced by collective ownership of the means of production (plots of land, factories, machines, etc.). Private property in the means of enjoyment will not be restricted, nay, cannot possibly be restricted. Probably no socialist of the present day has the folly and stupidity to deny the private use and private ownership of the means of subsistence, clothes, furniture,

books, etc. Collective property would be introduced only in relation to capital, or the means of production, which is now already carried on by division of labour (*i.e.*, collectively or co-operatively), just as there is now state and communal ownership with regard to streets, spaces dedicated to the public, establishments, locomotion, education, justice, police, and national defence.

The object sought for is therefore an extension of the principle of collective property, which is already widely operative, to the means of production through division of labour, that is, to social capital: only to the extent of this enlargement of collective property is there to be a contraction of private property. We lay special emphasis upon this, not to defend or to oppose in this place such enlargement of collective property, but in order to deprecate a false statement of the question. Any one who has the least acquaintance with socialistic literature knows also how very much this insinuation, as though socialism wanted unceremoniously to suppress every kind of private property, is made use of by the leaders of the proletariat, as a ground of accusation against

the well-to-do and educated classes of intentional misunderstanding, of a wish not to understand, of mean calumny, and of base denunciation. It is, in fact, not true that socialism demands that every one should annually "share and share alike." It demands a paying off of private property in the means of social production, similar to the paying off of feudal burdens,—a putting together of these means of production into the possession of the whole community, and a distribution of the annual produce in commodities created with the help of collective capital, in the ratio of the labour-time put in by each workman (who will then be a salaried public servant). It is possible to consider this demand to be impracticable, or even opposed to its own aim ; but it is untrue to say that it includes a periodical sharing of the fruits of private labour and thrift with loafers, who share the food but not the work ; or cherishes the nonsensical thought of a suppression of private property, even in means of enjoyment, the consumption of which is from their very nature private and personal, belonging either exclusively to the individual or to the separate circle of the family. It is

also not true that the principle of collective property in general is something new, which assumes a hostile attitude to the existing moral and legal system. For all "moral persons"* represent collective possession in its widest extent, from the State, the Church, the municipality, down to the very meanest family. The question is solely this : Ought the means of production, as far as they are the basis of the collective national labour, which already operates through division of employment, to become henceforth the collective property of the national, or, if that be better, of the communal body of labour ? This is the question. Whatever decision one may come to, it is undeniable that neither is *private* property in *all* kinds of commodities, nor is the right of property as such, hereby called in question. All possibility of a rational discussion is absent, and indeed we are sure only to drive the proletariat into a more rooted passion, if, instead of grasping exactly the real question, we imagine things of socialism none of which it desires. This is


* [*I.e.*, societies or elements of society, such as can be regarded with reference to certain acts and qualities as corporate units.]

very dangerous; for if we understand by socialism only an incessantly recurrent "division," whereas it requires a continuous accumulation of the means of production, we shall, in refuting it, always be proving too much, and therefore nothing to the point.

Again, the denial of all private and family right of inheritance is by no means a necessary consequence, or at all an essential interest, of socialism.

The latter has reason to say to its blustering adherents, who wish to abolish the right of inheritance, "The Lord preserve me from my friends!" The principle of collectivism allows precisely as much room for the right of inheritance as it does to private property, whatever nonsensical fictions may have been promulgated on this point by old and new socialists, and however blunderingly socialist writers even to-day make the mouth of the proletariat water with the suppression or essential limitation of the right of inheritance. Of course no private right of inheritance could adhere to capital, because it would have become the inalienable collective inheritance of the whole community. The power of the private owner of capital to

conduct the social process of production, and to exploit it for his own benefit, socialism cannot allow to exist or to be established, and consequently cannot suffer to be bequeathed. But if socialism could gain the point that the means of production, the capital, should absolutely be incapable for the future of being private property, somewhat in the same way as the point was gained in the civil revolution of 1789, that feudal claims on real property should not continue, and real burdens of interest should not be established anew—then, on the other hand, the inheritance of means of enjoyment, such as clothes, furniture, means for culture and for amusement, private works of art, etc., might very well be allowed, without injuring even a hair of the chief fundamental principle of socialism. This right of private inheritance would have in its own nature a limited extent, for private superfluities of the means of pleasure, which would be the only source of property left at death, would be very much contracted, since the wealth in means of enjoyment of the private person in the present day would in the main fall away, along with his interest-bearing property in the means of production, and along



with his monopolist sources of rent. To many it has seemed inconceivable why Karl Marx, the most influential and important socialist, has not proclaimed loudly, and as a matter of primary importance, the abolition of the right of inheritance in the commonwealth of the future. A little consideration is sufficient to show that for one who starts from his premiss of collective capital, the right of inheritance in the private means of enjoyment has a most subordinate signification. Even if the socialists were able to-day to bring about a liquidation of private capital after the manner in which the feudal claims on property were set aside in the civil revolution, they would still be able to allow the inheritance of the sum which had been received in liquidation ; for, as has been shown above in the second chapter, the compensation-capital, or perhaps compensation annuities for twenty or twenty-five years, would be granted only in the form of means of enjoyment, not in the form of means for carrying on trade. The sons of millionaires would take care that in a few generations the present plutocrats' inheritable property in means of enjoyment should reduce itself within narrow

limits. The right of inheritance has a lucrative object—if the concrete expression be allowed—only so long as private property consists in capital (the means of production and sources of rent); if this were excluded, only modest properties left at death would come into question, which would not produce a disparity of hereditary private property dangerous to the socialist state. It is simply extraordinary that the socialistic agitation has not long ago more loudly and more solemnly protested against the imputation of setting aside of all rights of family and testamentary inheritance. It could, as we may see, on its own principles most honestly utter this protest.

According to what has been remarked respecting the result of socialism, as a system of national economy, on the province of domestic economy and consumption, a judgment may be easily formed as to its results on family life and marriage.

There may, perhaps, be actually found here and there among the socialists of the present day the “free” point of view respecting marriage and family life—sometimes to the very level of “free love.” Ominous asser-

tions and intimations may be quoted with respect to this. But even among the well-to-do and educated "free love," like "free religion," is theoretically and even practically very widely spread. There is, therefore, only this question for the far-seeing politician,—whether the removal of indissoluble monogamy, of bringing up families, and of the right of family inheritance, is or is not on principle a postulate of socialism. But this question must be answered in the negative.

The abolition of private property in the means of collective production erects such a strong indirect barrier against any far-reaching disparity of household expenditure, of family training, and of inherited property, that the social state more especially could, without any danger, permit individual freedom of house-keeping, of family training, and of inheritance of means of enjoyment. Not much more would be required than compulsory school attendance, to the same extent as at present; nor would there be any need for the Fourier rooms for eating, sleeping, and playing. The present arrangements for kitchen work, washing, lighting, heating, etc., would of

III. The question whether socialism also permits of placing people's savings to their credit, that is to say, whether it can or cannot organise a method of saving and insurance in the way of loan and credit ; and, if it is capable of doing so, how it would fundamentally organise it.

In this relation it is at once evident that the transfer of savings into the future, in the way of *interest-bearing* credit, would be rigorously excluded. No private ownership would be permissible in the means of production—private cession of the employment of capital, hence interest as remuneration for the use of capital, would no more have any meaning or scope.

On the other hand, there would not be anything to prevent one from transferring savings to a credit-account up to certain fixed sums and periods. All the wage of labour that is not drawn as soon as earned might be credited to the saver in its full nominal value for the future. The savings and insurance capital falling due, and those freshly credited, would on the whole pretty well cover one another, and there need be no disarrangement of the collective economy in connection with these transfers of simple

rights to payment in kind which bear no interest : if the collective production in general could be organised, then this system of credit entries of savings falling due at will, or by instalments, could also be carried out.

The concentration of larger incomes for private objects (such as travel, study, the work of societies, etc.) would by no means be excluded as a matter of principle, as the opponents of communism generally assert, and as we, too, for a long time took for granted ; only the taking and giving of interest would be more radically set aside than ever was accomplished by the canonical law against usury ; and Aristotle's view, that money should not breed, would be most thoroughly realised.

IV. Lastly, the capacity and liberty of donation to relations, to a third party, to societies, etc., is not in any way opposed to the principle of the collective system. Sociality, hospitality, benevolence, free relief of the poor, free pursuits of humanitarian, scientific, and religious interests in the form of societies, may all be thought of as finding a place in a state of socially organised production. We bring this emphatically forward, since people often tranquil-

lise themselves with the thought that socialism is an utter impossibility for this reason, that it excludes, along with all private property, also all individual freedom of movement for the purpose of research, charity, social agitation, travel, insurance for old age, because it excludes the transference from time to time of individual command of commodities to others. This want of liberty might appear in the *practice* of a despotic materialistic social state, but it is *not* an absolute fundamental result of the leading socialistic principle. For the support of private persons, clubs, corporations, social unions—even for the support of churches—donations might be made payable by any one out of what is due to them on their labour-time, without any violation of the socialistic principle.

We touch upon yet another point. Socialism of the present day is out and out irreligious, and hostile to the Church. It says that the Church is only a police institution for upholding capital, and that it deceives the common people with a “cheque payable in heaven”; that the Church deserves to perish.

The Church, and indeed all religion, is fanatically hated by many socialists, and certainly not

without some fault on the other side. But this tendency is not a necessary consequence of the economical socialistic principle, at least not in respect to such religious institutions as have ceased to be united with antagonistic worldly interests and classes. Should ever socialism be established in the remote future, then the form of maintaining the Church would be, it is probable, that of support by free contributions of the members of the Church, drawn from their labour-credit, or in the form of renounced labour-certificates. Moreover, direct support of the Church from the national income, its financial treatment as a public institution, would at all events be possible, although not very probable. At any rate, it would still continue as an institution, of the nature of a society maintained by the free contributions of its adherents. This last form of support and income would doubtless exist for many institutions outside the State,—for the prosecution of social, religious, scientific, technical, political, and socialistic efforts. In this case we limit ourselves simply to stating the economical coherence of the matter. It is simply impossible to predict whether the Christian Church,

or "black international," now on the one hand so violently divorced from the liberal state, on the other hand so thoroughly hated by the "red international," will govern and influence hearts in the socialistic state. A form of Church support, rendering its freedom and independence of action possible, is, as has been shown, not at all inconceivable in the socialist state.

Likewise science, friendship, humanity, charity, general usefulness of every kind, has still *in theory* full scope for exercise, in as far as socialism remains limited to its true principle, the realization of the system of collective production. Objections to these possibilities might be fully accounted for by the craziness and frivolity of individual socialists. These objections, on the contrary, cannot be established out of the economical principle, which has become more and more the central point of socialism, and which will, as it is now believed, form the centre of the chief social battle in the future. Would that people would at last desist from the dangerous self-deception of attacking mere windmills! The overthrow of "the highest and most ideal possessions of civilization" would quite certainly be associated with

the wild revolutionary realization of socialism (which is hereby promoted). But such an overthrow would *not* be the result of a growth by which the question in dispute between the third and fourth estates should be strictly confined to its politico-economical core, and its further development should be limited to the path of gradual reform.

IX.

IN the previous discussion the socialistic principle has been traced (I.-VIII.) into the province of all the principal categories of the national economy. This has been accomplished in such a way that the fundamental thought of socialism has been expounded in the most reasonable and practical manner conceivable.

It has been proved (pp. 55, 91, and elsewhere) that Marx's theory of democratic collectivism—the social democracy—represents an impracticable programme, which leads down to economical chaos ; for till now this democratic socialism has retained as its basis Marx's theory of value as depending on social labour-cost. There is no room for the practical acceptance of the use-value, and for putting a premium on labour which is economically profitable. It also does not take into consideration the restoration and sure establishment of that authority, which the

legally organised public production would render necessary in an incomparably higher degree than the present mode of production by means of capital ; on the contrary, in its "commonwealth" it wholly loses sight of the question of civil and ecclesiastical authority. This democratic collective system is evidently in complete antagonism with the conditions laid down by us (pp. 55, 91,) for an at any rate conceivable realization of collective production ; and hence our "Quintessence" is not, and never was intended to be, an advocate for democratic socialism. I have, meantime, more fully expounded the utter impracticability of the latter in the little pamphlet (1885) entitled * "The Hopelessness of Social Democracy" (first and second letters), which only pursues further the critical objections of the "Quintessence."

What has appeared to us in the "Quintessence" especially objectionable, is the principle which has been dangled as a bait before the proletariat in a spirit absolutely opposed to collectivism, viz., that each labourer must receive apportioned to him precisely the produce of his

* "Die Aussichtslosigkeit der Socialdemokratie" (1885).

own labour, though even in the socialist state it is only the produce of the whole community that can be available for division. It is absolutely impossible to ascertain how much of the value of the common produce each individual has produced, especially as, even in the social state, this would be a result not only of personal labour, but also of the means of production belonging to the collective body, and of the help afforded by nature. The question would also arise, whether paying a man the value of his work would be as just as democratic socialism supposes, for one's capacity for work is not purely a matter of personal merit, but is to a large extent an inheritance from parents, and from remote ancestors. The leading promise of social democracy is practically and theoretically untenable; it is a delusive bait for the extreme individualistic fanatic craving for equality among the masses.

It cannot but seem almost unaccountable that the writers on social democracy have not, above all things, developed their theory impartially in the direction of full acceptance, and higher intensification, of the influences which are the private guarantees of productive admini-

THE END

stration ; by preserving productive competition of labour, according to the principle of the social value of the work done, socialism might soonest hope to become practicable, and to harmonise with all the good sides of the historically existing economical system, and to become capable of adaptation and of organization. But upon closer examination this neglect may be easily accounted for.

As soon as you take out of the theory of social democracy the two essential parts, viz., granting to each one the whole and full profit of his individual work, and measuring this profit according to the extent of the contribution to the social quantity of labour-time ; as soon as you put a premium on economical merit, take into consideration the use-value of the contributions of work and of the produce, keep in view the assurance of a firm authoritative guidance of the immense business of collective production,—as soon as you do this, you have scattered to the winds the spirit of democracy ; nothing more can then be said about the equal share of every individual in the control, or about a division of the produce of social labour which shall be equally just to

all, or even equal throughout. Socialism has then no further charm for the masses. Liberty—at any rate the anarchical liberty which consists in setting aside all government and authority in the social commonwealth—has come to nought. Mastership and exploitation can break in again in broad streams. Hence social democracy would be sawing off the branch upon which, *as a party*, it sits, if it tried to free itself from its critical blots (*vide* p. 55 and p. 91; also vol. iii. of my “Bau und Leben,” the section on the theory of value), and renounce Marx’s theory of collectivism. It will probably never do this openly.

Nevertheless, the intellectual work even of democratic socialism is not lost.

Once for all the question has been started theoretically; Under what conditions can the production of commodities as a public function be conceived from the general standpoint of political economy? This discussion is not without importance, in the face of the gradual growth of establishments organised by the public authority, even in the province of the social circulation of material, which consists of the production and transference of commodities. If

a good economical system of collective production were devised, which is as yet a long way off from being the case (*vide* my "Bau und Leben," vol. iii.), it would still not have been proved that it ought to be introduced suddenly and exclusively, without any regard to the many, perhaps more important, extra-economical interests, which nevertheless might still stand forbiddingly in its path. If ever an ordered system of collective production be unfolded in the distant future, its success would certainly be only slowly achieved, and certainly far more by the process of the self-annihilation of capital in competition, and by the self-dissolution of the dominant liberal capitalistic system of business, than by the victory of the barricade ; far more by the necessity of self-preservation, realised by the whole state, than by a violent blow from beneath. But, till then, there is *still* no doubt a long time to wait.

Practically, too, the democratic collective system has rendered an essential service, namely, by critically and politically suggesting the "positive social reform," which has been taken in hand by the government in Germany since the last edition of the "Quintessence" was

published. The present author has meanwhile expressed his views respecting the whole extent of the problem of this "positive social reform," in three little pamphlets: "The Hopelessness of Social Democracy" (three letters), "Compulsory Incorporated Benefit Funds," and "The Incorporation of Mortgage Credit."

The writings are perhaps adapted to convince the reader that the "social question" includes to-day, as at all times, in a complicated whole, many particular problems in relation to reform, a multiplicity of particular social questions, and that the solution of these cannot take place through the overthrow of society as it is by the introduction of a radically new society, but only through the progress of existing society and of its law. To the legitimate demand of social democracy, that there shall be furnished even to the proletariat of industry, as a result of their labour, a position worthy of manhood, and something more than the barely necessary share of the produce of the national labour community; that the abuse of the superiority of capital and of credit shall be averted; that a sense of joint responsibility in relation to poverty and misfortune shall be awakened;

that a public economic management shall be introduced, in so far as the capitalistic economy becomes actually useless,—to this demand the most complete satisfaction can be given in the way of positive gradual reform, without suppressing capital in the shape of private property, but rather by generalizing it. Particulars of the process will be found in the pamphlets just mentioned. In the present book our task was not to furnish a critical refutation of, nor yet a positive (reformatory) attack upon, social democracy, but to portray and open up the circle of thought presented by the collective principle, whether democratic or not democratic.

7

8

